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WORKERS' RIGHTS AND TRADE ADJUSTMENT ASSISTANCE PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

S. 490 and H.R. 3

MARCH 18, 1987

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WORKERS' RIGHTS AND TRADE ADJUSTMENT ASSISTANCE PROGRAMS

WEDNESDAY, MARCH 18, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee was convened, pursuant to notice, at 10:17 a.m. in room SD-215, Dirksen Senate Office Building, the Honorable Lloyd Bentsen (chairman) presiding.

Present: Senators Bentsen, Matsunaga, Baucus, Bradley, Riegle, Rockefeller, Packwood, Roth, Danforth, Chafee, Heinz, and Durenberger.

[The press release announcing the hearing and the opening statements of Senators Boren, Mitchell, and Rockefeller follows:]

[Press Release]

FINANCE COMMITTEE TO HOLD HEARING ON WORKERS' RIGHTS, TRADE ASSISTANCE PROGRAM

Washington, D.C.—Senator Lloyd Bentsen (D., Texas), Chairman of the Senate Finance Committee announced Friday that the Committee will hold a hearing on two issues of interest to workers affected by the trade deficit, the provisions on workers' rights in the Senate trade bill, S. 490, and the House trade bill, H.R. 3, and the revitalization of the trade adjustment assistance program as provided for in S. 490.

"The great number of American workers directly affected by the trade crisis have faced the choice between giving up their jobs and giving up on their standard of living," Bentsen said. "The real issue presented by these two programs is whether we can find a way to make American participation in the open trading system produce good jobs, not just left-over jobs," said Senator Bentsen.

The hearing is scheduled to begin at 10:00 a.m. on Wednesday, March 18, 1987, in Room SD-215 of the Dirksen Senate Office Building.

Statement of Senator David L. Boren
Senate Committee on Finance
March 18, 1987

Mr. Chairman,

I wish to state for the record my appreciation to you for holding this hearing on the federal Trade Adjustment Assistance Program.

As every member of this committee knows, TAA is an important part of our overall national trade policy. TAA was established by Congress in the belief that American workers who lose their jobs through no fault of their own, and because of the adverse effects of foreign imports, should receive reasonable assistance in their efforts to re-train for other employment.

I have supported the TAA program over the years, even when its principal beneficiaries were workers who happened to reside in states other than my own State of Oklahoma. During the last recession, for example, when the brunt of the economic downturn was being felt in such sectors as steel and autos, I strongly supported efforts to maintain adequate TAA funding for those areas of the country most seriously affected. Even though Oklahoma workers were themselves not being affected by lay-offs occurring in those industries, I felt it important to support the TAA program in order to help other regions of the country in their time of need.

Now, Mr. Chairman, our time of need has arrived. The economies of the energy and agricultural states are being devastated by the effects of foreign imports. The flood of inexpensive, foreign oil now pouring into this country has caused massive economic dislocation in my own state. In 1982, there were over 800 drilling rigs exploring for oil and gas in the State of Oklahoma. Today, we have only 110 such rigs working. In the past year along, some 17,000 oil and gas workers have lost their jobs. Since 1982, approximately 71,000 energy jobs in Oklahoma have disappeared.

The legislation which I am co-sponsoring with Senator Johnston, S. 734, will correct a long-standing inequity in the Trade Adjustment Assistance program. The Administration has steadfastly refused to allow coverage of oil and gas workers under TAA on the grounds their lost jobs cannot be attributed to the effects of foreign imports. That contention, I submit, is patently ridiculous on its face.

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Less than two years ago, we were importing only about 24% of our domestic energy needs. At present, we are importing an alarming 43% of our energy needs. No one, Mr. Chairman, can look at those astounding statistics and tell me our increasing dependence on foreign oil has not come at the expense of American jobs in the domestic industry. Members of this committee need only take a walk down the main street of any town in Oklahoma to understand the economic impact these lost jobs are having. Banks are failing at a record rate, businesses are closing their doors in ever-increasing numbers and the ranks of the unemployed grow daily.

I just want to close by again stating for the record my appreciation for all the hard work and leadership my distinguished colleague from Louisiana, Senator Johnston, has shown in trying to correct the gross inequities in the TAA program that prevent oil and gas workers from being eligible for TAA benefits. The Senate has acted repeatedly in the past to amend the TAA program in this regard, only to see our efforts stalled in the other body. I am convinced, as I know my colleague from Louisiana is, that our problems with the House of Representatives on this matter have been more jurisdictional and technical than substantive. By working with the House leadership, however, these problems will be resolved. I look forward to speedy action on this vital issue by the full Congress, so we can send a bill to the President.

I will conclude my remarks, Mr. Chairman, by repeating something I said on the floor of the Senate when this measure was introduced. The unemployed oil and gas workers of this nation are just as entitled to the same benefits and the same help as those who have been employed in steel, textiles or other industries that have been unfairly decimated in the past by imports. They are entitled to our help. In the name of justice, it is time to act on this measure.

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George Mitchell

STATEMENT OF SENATOR GEORGE J. MITCHELL

A cornerstone of any nation's trade policy should be an effective and comprehensive program to provide adjustment benefits to workers who have been forced to sacrifice their livelihood for the larger interests a nation has in increased trade.

No nation, and no industry within that nation, can be completely protected from international trade. As technologies change, new products are developed and demographic patterns shift, domestic manufacturing firms must adapt their output to new demands.

Often that means the loss of jobs due to imports. Although a nation as a whole may prosper from changing trade flows that increase export trade along with imports, individual workers within industries are often hurt. Meaningful government programs should be available to provide transition relief to support workers and their families and enable them to be retrained for new and more competitive jobs.

The trade adjustment assistance program is not only an assistance program to trade impacted workers. It is also an assistance program to the economy increasing international competitiveness by training the workforce to adapt to a changing world economy.

Unfortunately, the current trade adjustment assistance program is deficient in many respects. It does not provide the necessary adjustment measures to thousands of workers who have lost their jobs due to increasing imports.

It is my hope that the Senate will agree to expand and re-orient the trade adjustment assistance program as part of comprehensive trade legislation to be considered later this year.

I am cosponsoring legislation introduced by Senators Moynihan and Roth to extend the trade adjustment program to workers in component part firms and to focus the program more on training. The elements of this bill passed the Finance Committee in the fall of 1985 and I am hopeful we can include this in the omnibus trade bill this year.

Yesterday, I introduced legislation with Senator Heinz proposing a number of other changes in the trade adjustment assistance program to make the training benefits more flexible and to address an issue that has arisen with respect to the eligibility period of workers for benefits.

This last issue concerns the question of whether a workers eligibility period for trade adjustment benefits will be measured from the workers first separation from employment or the workers last separation.

As a result of a 1981 statutory change, the Department of Labor interprets the law to require the eligibility period to run from the workers first separation from employment even though it may only be a temporary lay off prior to a permanent dismissal. The result is that a workers eligibility for trade adjustment benefits expires while they are still employed. Workers are being denied the benefits to which they should be entitled by Congressional intent.

The problem occurs in industries which lay off workers for temporary and sporatic periods during which the plant is certified under the trade adjustment assistance program. As the production needs of the plant increase, many workers may be rehired for temporary periods before being finally laid off.

This has been a particular problem in the apparel and footwear industry in Maine over the last few years. I understand it is also a problem in the steel industry in Pennsylvania.

STATEMENT
FINANCE HEARING ON WORKERS' RIGHTS AND WORKER ADJUSTMENT
SENATOR JOHN D. ROCKEFELLER IV
March 18, 1987

Mr. Chairman, this hearing reflects a view that you and I share -- namely, that a truly meaningful trade reform bill must include a major effort to assist our workers in adjusting to the changes resulting from what is now a highly dynamic, competitive economic arena. S. 490 includes a provision as originally introduced in a separate bill by Senator Roth and other distinguished members of this committee, to extend and reform the Trade Adjustment Assistance Program. This is a positive step in the right direction, and I hope through this and subsequent hearings, we will expand upon that provision to come up with a strong worker adjustment assistance plan.

The plight of dislocated workers is of tremendous and direct concern to me. AFL-CIO just revealed a study which points out that West Virginia has the highest rate in the nation of plant closings and worker displacement. Just in the past six months, I have watched mines and factories shut down and throw thousands of hard-working, experienced men and women out of work. In that same period, the Secretary of Labor has certified almost 4000 laid off workers for trade adjustment assistance. From a different study, I've learned that more than 63,000 West Virginians have exhausted their unemployment benefits and yet remain out of work.

Mr. Chairman, the current programs for dislocated workers are inadequately funding and in need of improvement. For this fiscal year, Congress appropriated only $30 million in training funds for TAA-certified workers. Those funds ran out last week. Can you imagine what a laid off coal miner or steelworker feels when he shows up at the unemployment office to sign up for training, thinking that his certification for TAA promises him that opportunity for learning new skills, and is told that "sorry, there's no more money?"

I have spent the last weeks and months talking with and learning more about my state's dislocated workers. On Monday, I joined Senator Heinz in Pittsburgh to meet with laid off workers, program administrators, and job trainers to hear about their experiences with TAA and Title III, the Dislocated Workers Assistance Program of the Job Training Partnership Act.

My colleagues, we have a great deal of work to do if we are to effectively assist the victims of plant closings and economic dislocations to make the transition to new and productive employment. Significantly more funding is required to meet anywhere near the need and the growing demand for retraining and additional education. The programs must work more quickly and reach workers immediately after they lose their jobs -- or ideally, before -- and respond by tailoring programs of job counseling, basic skills, vocational training, and other services according to individual circumstances. And basic skills must be emphasized and taught well. -- we know that over one out of five dislocated workers can't functionally read, write, or compute. Today's employers cannot make use of, and this country cannot benefit from, workers who are not literate in these fundamental areas.

Senator Heinz and I have offered separate legislation, the "Worker Adjustment Assistance Act," which has several purposes. Today, rather than promote our bill, I want to hear from our impressive panelists about their ideas and recommendations. Given the scope of the dislocated workers problem, I do believe that a dedicated source of funding -- the import fee -- is essential to ensuring adequate funding. In addition, I hope to persuade my colleagues that TAA or a comparable new worker adjustment program must provide services and income support that are extensive enough help the full range of dislocated workers with families and mortgages to truly become retrained and newly equipped for the demands of today's workplace.

Mr. Chairman, I thank you for this opportunity. I look forward to playing an active role in crafting this part of the trade bill -- the goal must be a program that will answer the desperate and increasingly bitter jobless who, totally against their wishes, cannot obtain new and productive work.

The CHAIRMAN. Ladies and gentlemen, if you would retire quietly from the room—those of you who are not concerned with the hearing—we can proceed and convene these hearings. Thank you.

Today, the Finance Committee will be hearing testimony regarding legislative proposals on two subjects of particular concern to American workers that are impacted by the trade deficit: workers' rights and trade adjustment assistance.

Those two issues relate directly to a fundamental problem that the United States trade policy must address in the coming decade. Unlike some of our trading partners, the United States has long supported an open trading system; and partially as a result of that, we are experiencing a serious trade deficit that has cost us two million jobs, according to the Commerce Department study. Too often, we overlook the human factor in this trade equation: the unemployed assemblyman, the steelworker, the garment worker who no longer has a job and faces very few alternatives that are at all acceptable.

Economists can tell us at least in theory that free trade is good for the economy, but you don't have a lot of free trade left around the world. And the human cost factor that has come with it has been a very serious problem for us.

Building an effective trade policy requires doing some things well. We can help our workers most by making competitive products and by opening foreign markets; and in that way, we will create more jobs. We will also create more jobs for American workers if we use our trade laws well.

I thought it was quite interesting to see Harley-Davidson's statement this morning, or yesterday, asking for an end to the highest import duties ever imposed under the escape clause because now it feels it can compete. Now, that is just the kind of adjustment that we are trying to promote in the escape clause provisions in the Senate bill.

In some cases, the United States must accept responsibility for making sure that Americans who lose their jobs because of trade have the opportunity to be gainfully employed and to increase their standard of living. The Trade Adjustment Assistant Program speaks directly to this responsibility. Its purpose is to help workers adjust when they lose their jobs because of import competition.

But we have a responsibility not only to cushion the immediate impact on the worker, but to help him learn the new skills needed to find a better job and to improve his standard of living. The trade bill and Senator Danforth and others and I have introduced with the support of so many on this committee would help to do just that.

Improving standards of living is also the objective of the other item on the agenda this morning: workers' rights.

At issue here is how the United States should use its trade policies to improve the situation of workers around the world.

All of the major trade bills pending before us agree that the United States should seek to promote workers' rights in international trade negotiations. At issue is whether the denial of workers' rights should be considered an unfair trade practice. American workers put their standard of living on the line when they compete internationally.

The question is whether it is fair for them to compete with governments that, by denying certain internationally recognized rights, refuse their workers a similar opportunity to improve their standard of living.

I know that, because of the intense interest in this subject, we have a number of members of the committee who desire to make an opening statement. Looking at the early bird list, I will read that off: Daschle, Danforth, Rockefeller, Durenberger, Moynihan, Roth, Chafee, Baucus, Riegle, Wallop, Matsunaga, Packwood, and Heinz. Senator Roth?

Senator ROTH. Thank you, Mr. Chairman. I want to start out by congratulating you for holding these hearings. I can't think of anything more important than to have a sound trade adjustment assistance program, if we are going to have constructive trade legislation.

Now the idea of trade, of course, is that most people benefit from it through a higher standard of living, through lower prices, through a more diverse choice of available products. But nevertheless, even though many people benefit, there is no question but that others are hurt; and this is true whether it is in times of trade surpluses or in times of trade deficits, whether it is in times of general prosperity or in recessions. Trade deficits or surpluses do not necessarily correlate with employment.

In 1975 we had a major recession, with many people out of work. That year we ran a trade surplus. The last two years, we have all seen our trade deficit reach unprecedented levels. Yet during the same period, millions of jobs have been created in this country.

Mr. Chairman, this is true for Delaware, too. Even though our general unemployment rate is one of the lowest in the country at three percent, nevertheless autos, textile industries, and several others have received assistance under the Trade Adjustment Assistance Program. I believe it is politically important to help those people hurt by trade, who lose their jobs to imports.

After all, it is Government policy which results in these job losses. Since 1962, our Government has made a commitment to assist workers who lose jobs to imports. The need for help, I think, is particularly great today. By helping those hurt by trade, we can help sustain the benefits of those who benefit.

Now, as everyone knows, I have been very active with Congressman Pease down through the years—back in the 1970s when we worked together to save EAA, when the past Administration wanted to do away with it. Again last year, we worked together to save it, and we had the full support of the committee, as well as both Houses of Congress. The program had expired in December 1985 or March 1986. We were successful in restoring it through budget reconciliation.

So, I am pleased that our activity on this issue has now brought the attention of the Administration to work on retraining. Mr. Chairman, I will be very brief.

I want to say I am skeptical about the Administration's proposal. The Administration is proposing significant increases in spending for worker dislocations; but I wonder whether the proposed funding will survive. Second, the Administration is asking us to abolish an existing program which provides full assistance for trade-impacted workers, not just retraining, but also unemployment compensation, and shifts to an on-site program.

Trade-impacted workers have more to gain from keeping EAA than acting on the reforms as proposed. As you recall, Mr. Chairman, our proposal is financially sound. We would propose a small fee on imports be negotiated as part of GATT.

It seems only fair to me that those who are helped by trade should help those hurt by trade. Thank you.

The CHAIRMAN. Gentlemen, we have Senator Johnston with us, and as I understand he has some pressures on him with the Budget Committee; Is that correct?

Senator JOHNSTON. Mr. Chairman, I am conducting hearings in the Energy Committee this morning.

The CHAIRMAN. All right. Let me ask of the committee: I don't want to deny the opening statements, but could we defer them and let Senator Johnston make his comments, and then we will go back to the opening statements. Is there objection?

[No response.]

The CHAIRMAN. Senator Johnston?

STATEMENT OF HON. J. BENNETT JOHNSTON, U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator JOHNSTON. Mr. Chairman, thank you very much. I want to speak today about my bill to extend trade adjustment assistance benefits to oil and gas workers and to those who supply the oil and gas workers—the so-called service workers—as a principal trade or business.

Mr. Chairman, things are desperate—desperate—in my State of Louisiana. Unemployment is 14.7 percent officially. Actually, unemployment exceeds 20 percent. Officially, it exceeds 20 percent in a dozen parishes. In one parish, it is over 30 percent officially. There are no jobs to be had—one. There are no fry cook jobs, there are no car washing jobs, there are no grocery checkout jobs. There are no jobs period. All the jobs have long ago been taken.

The principal businesses in Louisiana are, of course, number one, oil and gas; second, agriculture which is also very much down; the Port of New Orleans is very much down.

Mr. Chairman, things are really desperate. There is no safety net in Louisiana. And to add insult to injury, just this last week we got word that we were being denied extended unemployment benefits. Just as there was another full percentage point jump in the actual unemployment percentage, we were denied extended unemployment benefits.

So, there are people who are literally starving in my State, as they go from unemployment compensation being off of that and can't get on food stamps and other Government programs. Mr. Chairman, it is as bad as the Great Depression.

Now, this legislation we passed three times last year in the Senate. We simply didn't have time because of the precipitous drop in the price of oil to go through the committee process; but we passed it three times on the floor of the Senate. Because of various reasons—jurisdictionally principally—it failed to pass the House.

This year, we are reintroducing it—Senator Boren, myself, Senator Bingaman, Senator Nichols—in hopes that it can pass.

We don't know the precise cost of the bill. Last year, it was variously estimated at least twice by OMB, once at $27 million and once at $10 million; and frankly, I don't know what the difference was, except we made one amendment to preclude service industry people from being eligible for benefits unless it was their principal trade or business. In other words, we didn't want somebody who just simply happened to sell things occasionally to the oil and gas business to be covered under this; but if they were in the mud business or the drill bit business or full time working in the service industry, we thought that they should be covered.

But as I said, the cost is relatively modest, but it is targeted in to the areas that are hardest hit by this depression, that is, Louisiana, Texas, Oklahoma, New Mexico.

Mr. Chairman, I hope that the committee will look at this, not only in the sense of sympathy because believe me, sympathy is due. I had members of what we call our "Police Jury" system—that is, the governing body of parishes—who were in my office yesterday. You know, I have been in this business a long time, as you all have, and I have heard a lot of hard luck stories. But the hard luck stories I am hearing from Louisiana are enough to move even a veteran legislator who has heard a lot of them.

It is sad, Mr. Chairman, and I know this committee is sympathetic with it; but I urge you to consider the scope, the scale, the intensity, the depth of the suffering. And there is no word short of suffering that is going on in my State. The safety net is not working.

The Trade Adjustment Assistance Program was surely meant to cover this, if it was meant for anything. We have predatory pricing; we have jobs lost as a result of imports, as a result of the inability to produce a domestic product because of the predatory pricing by the Middle East. It is also—I hope, I trust, I pray—a short-term phenomenon, lasting only we hope—or I would like to think—a matter of months, or certainly not a permanent situation.

It is the perfect opportunity for the exercise of a surgical legislative tool, such as trade adjustment assistance. This will work, Mr. Chairman. It will put food on the tables. It will keep some children from being malnourished. It will keep some children in school. It will save some house notes from foreclosure. It will work.

And I hope and pray that this committee will look favorably upon it.

The CHAIRMAN. Chairman Johnston, I have a great deal of sympathy, empathy, and understanding of your concern; and we share it as an adjoining State. Never in my lifetime have I seen the economic devastation that is taking place throughout that area. Sometimes I feel like I am running a MASH Unit for the walking wounded, as I listen to some of the stories from our State and your State and the adjoining States.

I feel very strongly that we need trade adjustment assistance. I am sympathetic to the one you have proposed. We have one in the committee bill that is somewhat more broadly based. It is not quite as surgical a strike as you refer to yours, and I know the concern expressed by all the members here because what we are seeing in our economy in the United States today is kind of a Swiss cheese situation.

You have areas where it is exceedingly prosperous and low unemployment rates and other areas that are devastated. So, with sympathy for your legislation, I also feel that we can build on it or with it and more broadly base it.

Are there other comments?

Senator JOHNSTON. If I may just say one additional thing, Mr. Chairman, and that is that I am a free marketeer, as I think members of this committee are; and the idea of a free market is that sometimes you have unemployment, and when you do the invisible hand allocates these people to other more useful jobs, and there is a temporary dislocation.

Now, the problem in our States is that there simply are no jobs. There are zero jobs. They have no skills to go market elsewhere. I mean, they can't go up and work in the high tech industries or the defense industries of California. They can't go work elsewhere in the country. They have no skills for that, and this trade adjustment system could give them retraining money.

What it will do, it will help that free market by training these people and giving them that little boost between here and the next job.

The CHAIRMAN. Are there any other comments? Senator Matsunaga?

Senator MATSUNAGA. Mr. Chairman, what is the estimated cost of the program?

Senator JOHNSTON. Last year, we had two different costs by OMB in the two different variations of the bill. One was $27 million and one was $10 million. Excuse me, one was CBO; both of them were by CBO. One was $27 and one was $10 million.

Senator MATSUNAGA. I feel that the union of 50 States means nothing unless other States are willing to come to the aid of those who are in real trouble, such as the States of Louisiana, Oklahoma, Texas, and New Mexico. So, I am all for it. I thank the chairman.

The CHAIRMAN. Are there further comments?

Senator RIEGLE. Yes, Mr. Chairman, just very briefly I want to acknowledge when a senior Senator and full committee chairman like Senator Johnston feels strongly enough about this issue to come before this committee and to put it in these urgent terms, I think we need to listen and respond. I think the Senate as a whole does.

I think the scale of human suffering that is going on in his State, for reasons beyond the control of the people of that State, is a national issue. I think it is something, as Senator Matsunaga said, that we have a responsibility as a nation to respond to. So, your words are important to us, and I think they will have a great weight on the judgment of this committee.

Senator JOHNSTON. Thank you, Senator Riegle.

The CHAIRMAN. Thank you very much. Senator Chafee?

Senator CHAFEE. Mr. Chairman, I just want to say that I think Senator Johnston has made a lot of good points here, particularly bringing home to us the extraordinary loss of jobs and unemployment down there, and I am very supportive.

The CHAIRMAN. Senator Baucus?

Senator **Baucus**. Mr. Chairman, I thank the Senator for his statement. This is also another example of the tremendous wrenching that international forces have made on this country. In the oil and gas industry, as in most industries, 75 percent of the goods and services that we produce in this country are, in one form or another, in international competition. And it is not only the oil and gas industry that has been very adversely affected, but other industries, too.

I commend the chairman for bringing up very forcefully a decision to assist this industry because that is a good example of some of the problems that also face other industries and of raising the question of not only how we are going to meet and provide new training benefits, but how to compete in general. Thank you.

The **Chairman**. If there are no further questions, we would like to thank you, Senator Johnston.

Senator **Johnston**. Thank you very much, Mr. Chairman.

The **Chairman**. We are very pleased to have you, Chairman Johnston.

[The prepared written statement of Senator Johnston follows:]

STATEMENT OF SENATOR J. BENNETT JOHNSTON BEFORE THE SENATE COMMITTEE ON FINANCE ON S. 734 LEGISLATION TO EXTEND TRADE ADJUSTMENT ASSISTANCE TO THE OIL AND GAS INDUSTRY

MARCH 18, 1987

Mr. Chairman, economic conditions in Louisiana today are as bad as they were during the Great Depression. Our unemployment rate is 14.7 percent and rising. This rate is 7.4 percent higher than the national average; and, in sections of the state that are most directly involved with oil and gas production, the rate is even higher. For example, in LaFourche and St. Mary Parishes, two of the largest oil and gas production areas in the state, the unemployment rate is 21.2 percent and 28 percent, respectively.

Throughout the state, individuals are being laid off with no hope of finding new employment in the near term. We currently have over 122,000 individuals who are in their first 39 weeks of unemployment and over 150,000 who have been out of work even longer.

Mr. Chairman, 62 of Louisiana's 64 parishes -- or counties as you would call them in other states -- are involved in oil and gas production. In January 1986, 76,200 individuals were involved in oil and gas extraction activity. By January 1987, this number had decreased to 53,000, meaning that in a one year period we lost over 23,000 jobs that were directly related to production activity, and many thousands more in support industries. Nationwide, the National Petroleum Council estimates that 150,000 jobs -- roughly 25 percent of the total -- were lost in the oil industry last year.

This bleak condition is directly caused by the recession in the oil and gas industry. In 1981, the last year of peak production, we had 4,800 rigs in operation in the United States. In the first week of March 1987, only 766 -- or 15 percent -- of our rotary drilling rigs were operating in the United States. The other 85 percent were idle.

In Louisiana, we had 446 rigs in operation in 1981. Today, we only have 105 -- or 23 percent -- in operation. In 1986 alone, the number of active rigs in Louisiana decreased by 140. That means that close to 60 percent of the rigs that were operating in Louisiana one year ago are now idle.

Mr. Chairman, these rigs are idle due to the large quantity of oil and petroleum product imports that are flooding our market and the artificially depressed price of oil in the world market today. In 1986 alone, average oil imports to the United States increased one third, from 3.9 bbd to 5.9 bbd. By the end of 1986, imports had reached 6.3 bbd. This is far above the 27 percent level in 1985 and well above the 33 percent vulnerability level which precipitated the 1973 OPEC oil crisis. In Louisiana, it it clear that imports of this magnitude translate into idle drilling rigs and massive unemployment.

As you know, the Trade Adjustment Assistance program was created to assist workers who are displaced due to increased imports. On paper, this program sounds wonderful -- and to the extent that it works, it is wonderful. However, as we found out last year as oil imports increased, given the structure of the domestic oil and gas industry, many of its workers fell through the cracks and were not eligible to receive benefits under the program.

For example, last year the Department of Labor received 34 petitions for certification from Louisiana, 30 of which were from oil and gas related firms. While it approved all four non-oil and gas petitions, it denied 19 of the oil and gas related petitions. Last week, my colleague from Oklahoma, Senator Boren indicated that out of 40 oil and gas related petitions that were filed in Oklahoma, only 4 were approved. To me, denials of this magnitude indicate an enormous flaw in the ability of the program to assist the oil and gas industry.

Last year, a number of my colleagues from oil producing states and myself decided that we would try to correct this problem as expeditiously as possible. Given the speed with which oil prices dropped and imports increased, we decided to bypass the committee process and offer an amendment on the floor. The amendment we offered extended the trade adjustment assistance program to the primary and traditional secondary oil and gas industries and their workers.

The Senate passed this amendment three times. First, by a vote of 55 to 40 we attached it to the FY1986 Urgent Supplemental Appropriations bill. At the request of the House, however, it was deleted in Conference, partially due to the breadth of the amendment. Specifically, the Administration and some members of the House feared that the amendment would have extended TAA benefits to firms that supply the oil and gas service industries, such as steel makers. Consequently, we scaled back the amendment and limited its scope to any service industry that supplied the oil and gas industry as its "principal trade or business", thus limiting the extension to the traditional secondary suppliers of the industry and assuring that such benefits would not be extended further down the production line. We then offered the scaled back provision as an amendment in disagreement to Urgent Supplemental Conference Report. Again, it was removed by the House. Finally, as a last attempt, we offered it to the Export-Import Act Amendments. Again, the House deleted it.

In an attempt to avoid the jurisdictional objections of the House, this year, we have decided to go through the Committee process and last week I introduced a bill, S. 734, on behalf of Senators Boren, Bingaman, Murkowski, Nickles and myself, the substance of which is identical to the scaled back amendments that were adopted by the Senate last year.

I trust and hope that S. 734 will be reported by the Finance Committee, preferably as an amendment to S. 490, the omnibus trade bill and will subsequently be passed and approved by the

Senate. In this form, I hope it will have a much better chance of passing muster with the House of Representatives. I am hoping this is the case because I think our problems last Congress were more jurisdictional than they were substantive. That is, the amendment fell within the jurisdiction of the Ways and Means Committee and we attached it to legislation that fell within the purview of the Appropriations and Banking Committees.

I hope that jurisdiction was its infirmity in the House and not its substance; because, on the question of substance, this bill is not only strong and logical, it is irresistible from the standpoint of human need.

I have already given you the industry unemployment numbers and statistics. I have not, however, described for you the individuals who have been laid off due to petroleum imports. Many of these individuals are skilled and industrious. They are willing to get up early in the morning and go out to work and work hard. They are not your traditional unemployed -- what we have heard time and again described as your welfare queens and welfare kings or your society drones. Rather, these are people who are desperate, who need to put food on their table, who have children to educate and house, notes to met, and, in some cases, bankruptcy fees to pay to lawyers. They are proud people who do not want to look to the government for a hand out but have come to the realization that the aid they could receive from this program might make the difference. It might just be enough to hold them over until they are able to find alternative employment or retrain for a new profession.

Last month, I held a hearing in Lafayette, Louisiana on the petroleum situation. One of our witnesses was the president of the Lafayette Chamber of Commerce. He testified that a couple of years ago he was a rich man, but today he had a negative net worth of one half million dollars. Now he happened to have fallen from a very high position. However, there are thousands of workers in the oil industry in Louisiana and in the secondary service industries who did not start from such a high and lofty position economically but whose need is as bad as it is anywhere in the country and whose ability to get a job and ability to help themselves is worse than it is anywhere in the country.

I believe this bill represents a court of last resort to these individuals. This is the bill that will do the job at least partially for these people who are unemployed -- not by their choice but unemployed because imports of foreign crude oil are replacing and driving down the price of an American made commodity which can no longer be sought because the price is too cheap and the risks are too great.

I hope that the Committee will recognize the desperate needs of these people and will include the substance of S. 734 in the omnibus trade bill.

Thank you.

The CHAIRMAN. Senator Riegle, you were very generous in deferring your statement. Would you like to make it now?

Senator RIEGLE. Thank you, Mr. Chairman. I want to begin by acknowledging, as others have, the importance of the hearings today and to thank you for convening the focus of this effort on both trade adjustment assistance and the vitally important issue of workers' rights. As the committee knows, I have introduced legislation which would amend Section 301 of the Trade Act to include among the definitions of unreasonable trade practices the denial of internationally recognized workers' rights.

The definition of those rights is consistent with the International Labor Organization's list, but more importantly, the definition is the same standard used in the current law for a nation to qualify for GSP duty-free treatment.

It is also the standard used for the Overseas Private Investment Corporation. S. 498 would also make workers' rights a negotiating objective in the new GATT round by seeking the adoption of an article of the GATT declaring the denial of such rights is an unjustified means for a country or its industries to achieve a competitive advantage in international trade.

Today, we are fortunate to have a distingished group of witnesses to comment on the various aspects of this issue.

It has been acknowledged previously that Congressman Don Pease, who will be testifying, is a recognized leader over many years in this area. We are also fortunate to have Senator Harkin who is a leader in this effort; Lynn Williams, the President of the United Steelworkers of America, who has been one of the most outspoken people in the country on the issue of workers' rights, and I think will be able to provide a very important perspective on what unacceptable labor standards used by our trading partners have meant in the steel industry, as a specific, and in other manufacturing sectors in the United States.

The AFL-CIO, represented today by Howard Samuel, President of the Industrial Union Department, pressed this issue with the ILO and other international gatherings for many years. And so, that testimony will be very important to us.

We also will be hearing from two witnesses who can give firsthand information on the violations that are taking place in many countries each day. Specific examples of worker exploitation in Korea, Chile, and other nations will be cited by Pharis Harvey and Holly Burkhalter.

Now, I will just conclude by saying that the House Ways and Means Committee has agreed to language in its bill which addresses some of the ambiguity that some felt existed in H.R. 3 and S. 498 regarding the imposition of specific U.S. minimum wage and occupational safety and health standards.

Although it was never the intention of this Senator to impose specific wage levels or other requirements which would be unrealistic for another country, language has been added which would take into account that country's level of economic development. And it would be my intention, as the committee's work on the trade bill progresses, to offer this qualification as part of the amendment that I will offer to S. 490.

Mr. Chairman, it is my belief that no country should derive a competitive advantage in international trade by denying basic human rights to its workers. This country has always stood for and has led the way toward improved living standards and human dignity here and abroad. And to allow our standards to fall in order to remain competitive internationally would be a travesty. Section 301 should identify the denial of internationally recognized workers' rights as an unfair trade practice. If we can work together, we can find a way to improve this provision in the Senate bill. And I thank the chairman.

The CHAIRMAN. Thank you, Senator. Senator Heinz, I understand that you have an opening statement?

Senator HEINZ. Thank you, Mr. Chairman. I might add that I did have a question for Senator Johnston as well, which was to ask whether or not the provisions in S. 23, the Roth-Moynihan bill, would adequately cover the oil and gas workers. That question wasn't asked. My understanding is—in checking with staff—that the answer is yes, but not as good as Senator Johnston's bill.

The CHAIRMAN. As I have looked at it, I think that is a fair statement.

Senator HEINZ. I would like to invite Senator Johnston to specifically comment on the differences between his and Senator Roth's provisions.

The CHAIRMAN. That will be fine.

Senator HEINZ. Mr. Chairman, first I want to commend you on having this hearing. These are critical issues in my State, both trade adjustment assistance and workers' rights.

We obviously need to address the problem of training in our work force; and you and others know that Senator Rockefeller and I will introduce legislation that in effect will reform the Job Training Partnership Act. Senator Mitchell and I have introduced legislation to address workers who are unfairly denied trade adjustment assistance benefits.

I am particularly pleased with your witness list. Two of my constituents will testify. One is Barney Oursler, who is Co-Director of the Unemployed Council of Southwestern Pennsylvania. And I might add that he is an example both of and to those unemployed workers who had to become experts, unfortunately, on trade adjustment assistance. They, I think, know the programs better than any lawyer or any Senator; and we ought to listen to them very carefully to find out what is going on with the program because it is not what most of us probably believe or are aware of.

The Trade Adjustment Assistance Program in its present form represents the worst broken promise that Washington, D.C. has ever been guilty of. Since 1974, we have three times had a trade bill. We have promised that, through adjustment assistance, we would take care of the casualties that we know that free trade brings about. We made the same promise in 1979 on the 1979 trade bill and trade agreement. And the fact is, as we will learn if we listen, that the Trade Adjustment Assistance Program is inoperative in every sense of the word; inoperative in the sense that presidents use that word when they don't tell the truth; inoperative in the sense that it doesn't work; inoperative in the sense that we have a huge task if we are going to save the patients from what is, to them, a deadly malignant disease. We have got to reconstitute the program.

I will give you one example. We have the workers who have been laid off for just a few weeks and received one week worth of unemployment compensation back in 1982. And everybody in my State was laid off for one reason or another, or so it seems. And they get permanently laid off this year, last year, but can't collect a dollar's worth of trade adjustment assistance because the 2-year period has run out; and they are out of the program: out of luck, out of work, and most important, they are out of training.

I might add, Mr. Chairman, that the legislation introduced by Senator Mitchell and myself, while it would correct that particular problem—use of the most recent and not the first separation date—is not going to help the countless thousands of workers who did not receive the training they deserved and which they need to get back on to the playing field here. We need to restore benefits to those workers who were arbitrarily denied trade adjustment assistance and funds for training programs. And I will have legislation to do that.

Finally, just let me say that I note that Lynn Williams is testifying on the next panel. He, too, is a valued constituent, and he has a special concern.

In 1977, there were 452,000 people employed in the domestic steel industry. Last year there were 176,000 people. We have gone from 452,000 to 176,000 people; and by 1990, it is expected that that will be down to 124,000 people. That is called a "cut" of 73 percent. It is also 325,000 people out of 452,000 people who, for the most part, are well into their middle years, who have a relatively modest endowment of specific skills but who nonetheless could be very productive workers in some other occupation, and most of whom could never expect to reenter the steel industry.

This is the kind of problem we are talking about, and you can multiply that by dozens of other industries; and you will begin to get an idea of the size of the problem.

Thank you, Mr. Chairman.

Senator **MATSUNAGA**. We will be happy now to hear from Senator Tom Harkin from the State of Iowa.

STATEMENT OF HON. TOM HARKIN, U.S. SENATOR FROM THE STATE OF IOWA

Senator **HARKIN**. Mr. Chairman, thank you, and I want to thank the committee members for indulging me here for a few minutes. I won't take much time. I know you have a full panel of witnesses coming up, and I know you will want to question them extensively.

Mr. Chairman, I wanted to appear this morning to testify in support of a bill, which I have introduced as S. 497, and which Senator Riegle has also introduced a companion bill, which I understand he will be offering as an amendment. I commend the committee to this bill, and that is what Senator Riegle has already spoken about, which is workers' rights and to make it part and parcel of our negotiations on trade.

I would like to commend Senator Riegle for doing that. I would also like to commend my former colleague from the House, who will be following me here today, Congressman Pease from Ohio, who is really the intellectual author and the force behind this. It was his amendment last year that was adopted in the House as part of its Omnibus Trade Bill, which the House passed, but which we never took up.

So, Congressman Pease has really started the policy of incorporating concern for workers rights into our trade negotiations and our trade laws. Basically, the measure introduced by Senator Riegle and myself on this side and by Congressman Pease on the House side would make denial of internationally recognized workers' rights by any of our trade partners an unfair and actionable—I think that is the key word, unfair and actionable—trade practice under Section 301 of the Trade Act.

Our legislation also makes these rights a negotiating objective in the new round on tariffs and trade by seeking adoption of an article of the GATT declaring that denial of these rights is an unjustified means for a country or any of its industries to gain a competitive advantage in international trade. Mr. Chairman, by labor rights, we are referring to basic workers' protection, such as the right to organize and bargain collectively, minimum standards with respect to wages, hours of work, and occupational safety.

Mr. Chairman, I do not believe it is possible to pursue economic development without a parallel commitment to economic and social justice. In the 1970's, we established the principle and the practice that the United States would use its economic aid program to insist on human rights improvements in recipient countries. In the 1980's, I believe we ought to build on that legacy and require that the United States use its far-reaching economic leverage to insist on changes in the international trading system that will spread the benefits of trade to those who produce the goods and services.

Mr. Chairman, the expansion of international trade is supposed to promote the objectives of improvement in security and living standards of the world's population, yet there is a growing realization that trade is having the opposite effect, undermining living standards not only in the developing nations but also in the developed countries.

Too often in countries like Taiwan, Korea, Chile, and others, economic growth is built on the systematic repression of its domestic labor. Their economies may benefit in the short term, but in the long run these countries will face social instability and political upheaval, in large part because of their government's failure to promote social justice and a more equitable distributional system.

Denying labor rights tends to perpetuate poverty, limit the benefits of economic development between a narrow set of elites and induce social instability.

In conclusion, Mr. Chairman, the bill that I propose—and the amendment that I am supporting that Senator Riegle is going to be offering—neither creates unfair protection for the United States products nor does it nullify legitimate price advantages that developing countries can provide. Rather, this legislation seeks only to eliminate competitive advantages gained through the failure of foreign governments to respect basic worker rights.

Mr. Chairman, in this country, rather than letting the system go its laissez faire course, which could result in the lowering of our standards down to the standards of developing countries, that we should take the steps necessary to try to raise their standards up to ours. And I believe we help do it through the inclusion in this bill of the provision that Senator Riegle would be offering.

I might just also add, Mr. Chairman, that the United States Trade Representative Clayton Yeutter said on April 8 of last year that he would be pleased with some kind of trade language on workers' rights, though he said the Administration would not go as far as Congressman Pease does in his legislation. According to Clayton Yeutter, Pease is raising legitimate questions in terms of the way labor rights are handled by our trading partners around the world.

So, I think there is a general agreement—there may be some dispute on specific language—but I think there is a general agreement that part of our trade negotiations ought to include a basic and fundamental respect for workers' rights in some of these other countries.

So, Mr. Chairman, I just wanted to appear here today to lend my support to the amendment offered by Senator Riegle.

The CHAIRMAN. Senator Harkin, we are very pleased to have you. There is no question but that there is a deep concern for workers' rights around the world; and what we can do to influence those, we should, and they ought to be part of the negotiations, from my viewpoint. I am very pleased to have your contribution this morning. Are there further comments?

Senator CHAFEE. Yes, just one question, Mr. Chairman. Would this apply to those whom we sell to as well?

Senator HARKIN. Yes. It applies to everyone. It applies to all countries with whom we do business under the General Agreement on Trade and Tariffs.

Senator CHAFEE. It wouldn't apply just to those in the GATT?

Senator HARKIN. No.

Senator CHAFEE. I suppose it would apply to anybody.

Senator HARKIN. Anybody.

Senator CHAFEE. In other words, the Soviets are clearly not observing social justice and workers' rights. Would you not sell them agricultural supplies?

Senator HARKIN. What I would insist on is that this labor right provision apply in our trade negotiations to those same countries covered under Section 301.

Senator CHAFEE. No. That was my first question. I asked you and you said this extended beyond GATT. This extended to other countries.

Senator RIEGLE. Would the Senator yield on that question?

Senator CHAFEE. No. Could I just finish this.

Senator HARKIN. This legislation applies to those countries covered under GATT, and it applies to Section 301, making it an unfair competitive advantage for these countries to deny these basic worker rights.

Senator CHAFEE. So, it would only apply to GATT countries?

Senator HARKIN. No.

Senator CHAFEE. Thank you.

Senator HARKIN. It only applies to countries outside the GATT also.

The CHAIRMAN. Are there further questions of the Senator?

Senator RIEGLE. Mr. Chairman, I just want to say to the Senator from Iowa that I commend him for his leadership on this, and I certainly welcome his co-sponsorship of the amendment that I will be offering. And I am hopeful that the Riegle-Harkin Amendment will be successful in the committee and on the floor.

The CHAIRMAN. Thank you very much, Senator.

Senator HARKIN. Thank you.

The CHAIRMAN. Congressman Pease, you have been very patient, and we are delighted to have you here this morning. I know those of us that have experienced conferences with the House and know the ability and persuasiveness of our distinguished friend from Ohio and his leadership on this particular issue are particularly pleased to have you, sir.

[The prepared written statement of Senator Harkin follows:]

TESTIMONY OF SENATOR TOM HARKIN
BEFORE THE SENATE FINANCE COMMITTEE
HEARINGS ON LABOR RIGHTS AND THE TRADE BILL

March 18, 1987

Thank you Mr. Chairman for permitting me to testify today and for holding these hearings on international worker rights. I am testifying today on behalf of S. 497, a bill I have introduced on the subject, and in support of the efforts of Senator Reigle to incorporate a worker rights provision into the omnibus trade bill. I would also like to commend another panelist at today's hearing, Congressman Pease, who has been the intellectual author and the prime force behind international worker rights in the Congress.

The measures introduced by Senator Reigle and myself would make denial of internationally recognized worker rights by any of our trade partners an unfair trade practice under Section 301 of the Trade Act. Our legislation also makes these rights a negotiating objective in the new round of the General Agreement on Tariffs and Trade by seeking adoption of an article of the GATT declaring that denial of these rights is an unjustified means for a country or any of its industries to gain a competitive advantage in international trade.

By labor rights, we refer to basic worker protections such as the right to organize and bargain collectively and minimum standards with respect to wages, hours of work, and occupational safety. This legislation does not attempt to impose U.S. minimum wage standards or Occupational Safety and Health standards on other countries.

Mr. Chairman, my interest in labor rights stems from my long involvement in human rights. While in the House of Representatives, I sponsored most of the major human rights legislation adopted by the Congress. In 1975, I incorporated into the Foreign Assistance Act a provision known as Section 116, which prohibits the provision of U.S. economic assistance to countries engaged in a gross violations of human rights. In 1977, Congress approved Section 701 of the International Financial Institutions Act, which established a similar standard for standard for the votes of the United States on loan requests by foreign countries in multilateral development banks.

I believed then, as I do now, that it is not possible to pursue economic development without a parallel commitment to economic and social justice. In the 1970s, we established the principle and the practice that the United States should use its economic aid programs to insist upon human rights improvements in recipient countries. In the 1980s, we should build upon that legacy and require that the United States use its far-reaching economic leverage to insist upon changes in the international trading system that will spread the benefits of trade to those who produce the goods and services.

What is true for our bilateral economic aid should apply as well to our bilateral trade relationship with other countries. Accordingly, incorporation of internationally guaranteed labor rights into U.S. trade laws is consistent with the United States' application of human rights norms to domestic and foreign legislation.

Worker Rights and U.S. Foreign Policy Objectives:

The United States foreign aid program is designed to encourage economic development, growth, and human rights in foreign countries. As demonstrated by the bipartisan support for human rights legislation a decade ago, Congress realized, so far as U.S. foreign aid programs are concerned, that for development to be effective, it must benefit the broadest sectors of the population within recipient countries.

The expansion of international trade is presumed to promote these same objectives -- improvements in the security and living standards of the world's population. Yet, there is a growing realization that trade has the opposite effect, undermining living standards in both the developed and developing countries.

Too often, economic growth in the developing world is built on the systematic repression of its domestic labor force. In Korea, President Chun Doo Hwan has forced the dissolution of many labor unions that fail to meet the requirements of current labor laws, and hundreds of union activists have been arrested or pressured into retirement.

In Chile, General Pinochet's military dictatorship has attempted to destroy Chile's traditionally strong labor movement by outlawing collective bargaining, dismantling large national unions, and arresting trade union officials.

In Taiwan, strikes are illegal under martial law, which has been in effect since 1948, and the crime of inciting labor unrest is punishable by death.

These countries' economies may benefit in the short-term. But in the long run, Chile, Taiwan, and South Korea face social instability and political upheaval, in large part because of their government's failure to promote social justice and a more equitable distributional system.

Extension of labor rights is crucial to the development process, and ultimately to insuring markets for the U.S.-made goods. The ability to form unions and to bargain collectively to achieve higher wages and improved working conditions is essential to the efforts of working people to achieve minimally decent living standards and to overcome hunger and poverty. Denying labor rights, however, tends to perpetuate poverty, limit the benefits of economic development to a narrow set of elites, and induce social instability.

Overseas as at home, improved wages for workers is good for the domestic economy. More money in the pockets of workers creates increased demand for goods and services which creates jobs, helps fuel more self-reliant economies, and expands markets for U.S. goods.

Trade should not perpetuate maldistribution and uneven economic development, and labor repression must never be used as a competitive advantage in the developing world. Rather, trade laws based on the protection of labor rights, not their destruction, should be used as a mechanism for increasing mutually beneficial trade and for fostering freedom and economic well-being in other countries.

Labor Rights and U.S. Trade Policy

The Pease-Reigle-Harkin measure is compatible with U.S. trade policy as well as the goals of our foreign policy.

Respect for worker rights has already been incorporated into our trade laws. The Trade and Tariff Act of 1984 includes a provision that conditions foreign countries duty-free access to the American market upon respect for basic labor rights within each of these countries.

In 1985, the labor rights battle spread to U.S. investments abroad, when Congress adopted a proposal to prohibit the Overseas Private Investment Corporation (OPIC) from extending risk insurance for overseas projects of U.S. corporations in countries that have failed to adopt and enforce laws to protect the same internationally recognized workers' rights.

There is also a substantial body of international law on labor rights.

As early as 1919, the Treaty of Versailles affirmed that ratifying parties "will endeavor to secure and maintain fair and humane conditions of labor for men, women, and children." The International Labor Organization (ILO) was established to monitor compliance with these basic rights. Although the U.S. has not formally ratified the major ILO Conventions, it has been official U.S. policy for more than

50 years to actively support international respect for basic worker rights embodied in these conventions and to vigorously enforce international adherence to these rights. Furthermore, existing U.S. law acknowledges that ILO Conventions "serve as international minimum standards for labor and social legislation" within member countries.".

The Charter of the United Nations, adopted in 1945, affirms that "the United Nations shall promote higher standards of living, full employment, and conditions of economic and sound progress and development. The Universal Declaration of Human Rights, approved by the General Assembly of the UN in 1948, states that workers have the right "to just and favorable conditions of work" as well as the right "to form and join trade unions for the protection of [their] interests.

Moreover, the preamble of GATT provides that "relations among countries in the field of trade and economic endeavor should be conducted with a view to raising standards of living and ensuring full employment." GATT member countries are also explicitly authorized to take action against products of prison labor.

In principle and in numerous international agreements, the United States has embraced labor rights for ourselves and other countries.

Enshrining labor rights into U.S. trade laws makes good political sense as well. Efforts to link labor rights with the conduct of international trade has often been labelled as "protectionist." To the contrary, unless the benefits of international trade are shared more broadly with workers everywhere, protectionist sentiment in the United States will increase. U.S. Secretary of Labor Bill Brock clearly acknowledged this danger: "These countries which are flooding world markets with goods made by children, or by workers who can't form free trade unions or bargain collectively, or who are denied even the most minimum standards of safety and health are doing more harm to the principle of free and fair trade than any protectionist groups I can think of."

Finally, just as denial of market access and barriers to establishing business in other countries are recognized as "unfair" trading practices under 301, so, too, should labor abuses.

The link between labor abuse and artificially low prices for foreign goods is clear. Denial of rights like freedom of association or freedom to organize and bargain collectively creates unequal employment relationships, giving employers more power when negotiating wages, thus lowering the costs of production. Likewise, the use of forced labor cuts the costs of production. Clearly, unfair price advantages directly result from these labor practices.

Section 301 is intended to address these forms of "cheating," for price advantages unfairly obtained discriminate against United States products both at home and abroad.

Conclusion

By focusing on internationally recognized labor rights, the proposed legislation neither creates unfair protection for United States products nor nullifies legitimate price advantages that developing countries can provide. Rather, this legislation seeks only to eliminate competitive advantages gained through the failure of foreign governments to respect basic worker rights. These advantages are unfair according to international and U.S. law.

Furthermore, one of the best ways to diffuse protectionist sentiment in the U.S. is to incorporate respect for labor rights into the international trading system. If international rules were revised to make a clearer distinction between fair and unfair labor practices, then a key justification for today's protectionist pressures -- the popular belief that domestic workers should not have to compete with "sweated labor" abroad -- would be diminished.

Finally, enforcement of labor rights would have long-term benefits for U.S. economic and foreign policy. A broader distribution of income resulting from enhanced worker rights would reduce potential social and political tensions in the Third World, and might also increase demand in the developing world for American-made manufacturing and agricultural goods.

In short, stressing worker rights makes humanitarian and economic sense.

STATEMENT OF HON. DON J. PEASE, REPRESENTATIVE FROM THE STATE OF OHIO

Congressman PEASE. Mr. Chairman, thank you very much. With all the nice things that have been said about me this morning, I think I ought to just fold up my tent and go home, and just let the record stand for itself.

I do appear before you this morning to talk about the two subjects involved in this hearing: one, internationally recognized worker rights and the other trade adjustment assistance. Mr. Chairman, I would like to talk first about the worker rights provisions, which I would remind you were inserted in GSP renewal language two years ago—three years ago actually—and two years ago in the provisions for extending the Overseas Private Investment Corporation, and were contained in H.R. 4800 passed by the House last year.

As international trade has grown enormously after World War II, it is obvious that the U.S. has gained trading partners across the developing world. At present, these poor nations account for more than one-third of U.S. trade. However, there is one especially heavy cost. Some foreign governments rely upon the repression of their labor forces to unfairly produce goods for export.

Systematic labor repression has become a potent weapon in the arsenal of unfair trading practices that some foreign nations use to break into U.S. markets. Its impact on competing U.S. industries is just as harmful as foreign government subsidies or dumping would be. As we strengthen our trade laws this year to advance fair trade and to authorize actions against unfair trade practices, I implore this committee to recognize that the rights of workers are as much at stake in the trading system as the rights of manufacturers and consumers.

Now is the time for Congress to act to treat as an unfair trade practice the competitive advantages in international trade that some nations derive from the systematic denial of basic worker rights. In this regard, I would like to quote Bill Brock, the U.S. Secretary of Labor, former USTR, speaking in Geneva last summer:

> Those countries which are flooding world markets with goods made by children, or by workers who can't form free trade unions or bargain collectively, or who are denied even the most minimum standards of safety and health are doing more harm to the principle of free and fair trade than any protectionist groups that I can think of.

Just 3 weeks ago, the Retail Industry Trade Action Coalition, RITAC, composed of some of America's leading companies, catering to the needs of American consumers, endorsed my legislation on worker rights. Quoting from RITAC's recent testimony before the House Ways and Means Committee:

> We support measures like the Pease amendment which seeks to encourage other countries which benefit from access to our markets to provide their workers with basic internationally recognized rights. * * * In our view, the United States should use its influence to improve the lot of workers worldwide and to help our workers regain their competitive edge.

Critics of the movement to link labor rights in international trade most often attempt to discredit such efforts by asserting answers to two questions. One, how can we impose U.S. labor standards on the rest of the trading world? Two, in linking labor rights to international trade, isn't the real policy objective to keep imports out of the U.S. market to protect American jobs and not to improve labor conditions of foreign workers?

Let me discuss each one of those, Mr. Chairman.

First, it is patently false to argue that the labor rights provisions now in U.S. trade law, as well as those proposed for this year's trade bill, require other trading countries to protect worker rights that the U.S. has not agreed to itself in binding form. The worker rights provisions cannot be construed as a minimum wage for the world approach.

The statutory definition of internationally recognized worker rights avoids this inconsistency. In fact, each of the rights cited in the definition is constitutionally or statutorily protected in the U.S. and bolstered by a rich history in the courts. With respect to minimum wages, the definition in my worker rights amendment is consciously phrased more flexibly to allow taking into account a country's level of economic development in its application.

Enacted and pending labor rights provisions are neither hypocritical or unreasonable because they do not ask other trading partners to do as much, let alone more, than we have already seen fit to do in U.S. law to afford workers their basic rights.

The **Chairman**. Congressman, we have been operating under the five-minute rule this morning since we have so many distinguished witnesses to hear. If you could summarize, please, we would appreciate it.

Congressman **Pease**. All right. Let me just say, Mr. Chairman, in connection with the worker rights then, that the House has three times now recognized the importance of worker rights. We do not accept for a moment the contention that we are really trying to keep out goods from other countries.

I think, as one of your own members said earlier, the whole theory of international trade is a rising tide. Everybody benefits from free trade; and yet there are a lot of workers in countries across the world who, because of actions by their governments, are not participating in the benefits of free trade. And if we really want to have a free and open trading system, we need to use the power of the U.S. market to insist that other countries meet those obligations to their own workers, and incidentally, create the internal markets by which they can prosper and build their own economies.

So, I would urge the committee to examine the language that we have in the House and consider seriously the amendments offered by Mr. Riegle and by Mr. Harkin. Thank you, sir.

The **Chairman**. Congressman, we have been benefitted by your testimony, and we are considering the language in the House bill, looking at that, too. And I think it will be helpful to us, and obviously, we will be considering the amendment of Senator Riegle and Senator Harkin. We appreciate having you here this morning. Are there any comments?

Senator **Baucus**. Thank you, Mr. Chairman. Congressman Pease, thank you. This is probably one of the most difficult and important areas in international trade, and I don't know anyone who has tackled it with more honesty and more integrity head-on than you, and I want to thank you very much for your contributions.

Congressman **Pease**. Thank you, Senator.

The **Chairman**. Are there any other comments?

Senator **Heinz**. Briefly, Mr. Chairman. Is Senator Riegle's bill substantially similar or different?

Congressman **Pease**. Senator Riegle's bill, I think, is nearly identical to the language that I introduced last year; and with one minor change, is the same language which was adopted by the House last year.

The **Chairman**. How about this year—if I may intervene for a moment? What difference is there between Senator Riegle's and what is in the House version?

Congressman **Pease**. Mr. Chairman, the Subcommittee on Trade of the Ways and Means Committee reported a bill out last week; we are marking it up this week. It contains two changes which you may want to take note of.

Last year, there was a good deal of criticism of the worker rights language on the grounds that the United States had not adopted all of the ILO conventions, or that we were unilaterally defining internationally recognized worker rights, or that there wasn't a body of internationally recognized rights. This year—in our markup last week—we list in Section 301 the rights that we have in mind, that is to say, the right of association, the right to bargain collectively, freedom from any coercion or forced labor, and taking into account—and that is an important phrase that we added—taking into account the level of development of a country, the hours of work for workers, minimum wage, and so on.

That is one thing that we did, and the other thing we did is to track the worker rights language in the GSP bill and say that, in determining whether another nation is or is not meeting these requirements, the USTR may take into account the degree to which the country is taking steps to provide its workers with these rights. So, there is a judgmental factor, and it is not an absolute requirement in that regard.

Senator **Chafee**. Could I ask a couple of quick questions?

The **Chairman**. Yes, Senator Chafee.

Senator **Chafee**. Mr. Pease, in your bill, it is not restricted to the GATT countries, is it?

Congressman **Pease**. No, it is not. Section 301 generally is not restricted to GATT. Section 301 can be used against any country.

Senator **Chafee**. Section 301 can be used against any country. What do you do about countries that we sell to? That seems to be a real problem. Suppose you have got a country that clearly doesn't observe social justice or workers' rights as we know them? The Soviet Union, China, for example? Now, would we not sell to them?

Congressman **Pease**. This provision in Section 301 generally deals with unfair practices on the part of our trading partners, and it does not relate to our exports. Nonetheless, we import from the People's Republic of China; we import from the Soviet Union and other Communist countries.

Senator **Chafee**. So, under this, they could be cut off?

Congressman **Pease**. No, they would not be cut off—not necessarily. I think it is important to remember that in Section 301 there is a provision for dealing with unjustifiable practices.

Senator CHAFEE. Let's say they are clearly unjustified. Take the Soviet Union.

Congressman PEASE. Sure.

Senator CHAFEE. No unions, no nothing. If anybody violates human rights, I would think it would be them.

Congressman PEASE. Sure.

Senator CHAFEE. All right. So, therefore, we take a 301 action against them. They are out.

Congressman PEASE. No, they are not out, sir.

Senator CHAFEE. I don't know how they qualify then.

Congressman PEASE. Under Section 301, it is permissible for unreasonable trade practices that the USTR would make a determination—make a recommendation to the President, and the President has discretion to act or not to act on Section 301 cases.

Senator CHAFEE. That is not so clear when we finish this bill. [Laughter.]

Senator CHAFEE. But let's say the determination is made. So, I presume that they are out as far as selling us goods, and they are probably out as far as buying our goods.

Congressman PEASE. That is true.

Senator CHAFEE. So, it would follow logically that our goods would no longer go there—to Red China, to the Soviet Union.

Congressman PEASE. Senator, let's again look at the——

Senator CHAFEE. I am not objecting to what you are trying to do. I am just trying to follow through on the ramifications of this.

Congressman PEASE. Oh, I understand that, and I think you make a very valuable contribution. Let's look at the rights, and we will talk about the People's Republic of China. We say it is a violation—or can be a violation of 301—if a country denies the right of association, the right to bargain collectively, fails to provide a haven from forced labor, fails to provide any minimum age for the employment of children.

I don't think those are standards to which we can hold the People's Republic of China responsible. That is the workers' paradise, and we ought to say: If you believe in it, you ought to have a minimum age for the employment of children. And you ought not to allow forced labor. And you ought to have some——

Senator HEINZ. Mr. Chairman, does that red light mean that my questioning time has expired? [Laughter.]

The CHAIRMAN. We will recognize you again, as soon as Senator Chafee is finished.

Senator CHAFEE. That is the first time that Senator Heinz has seen that red in quite a while. [Laughter.]

Seriously, Mr. Pease, I don't think anybody is going to suggest the Soviet Union has workers' rights. Maybe they have a child labor law; but as far as unions go, the right to organize collectively, they don't have it. So, that would be a successful 301 action, I presume.

Congressman PEASE. Senator, again, the finding of the USTR might well be that there have been denial of the rights; but I would point out to you that what we are adding to the definition of unreasonable acts is one more unreasonable act, which already includes the right to establish enterprises and the right for market opportunity. In neither case would the Soviet Union qualify right now.

So, under the existing law for market opportunities and the right to establish an enterprise, a successful 301 case could be brought against the Soviet Union; but that has not been done, and the President has not taken action and probably would not take action for obvious reasons.

Senator CHAFEE. Thank you.

The CHAIRMAN. Let me say that we have two panels still waiting of very interesting witnesses. Certainly, what Congressman Pease has had to say has been a valuable contribution, but please keep that in mind. With that, would you like to say something, Senator Heinz?

Senator HEINZ. Mr. Chairman, you had recognized me for a question.

The CHAIRMAN. That is true, and I interrupted.

Senator HEINZ. And Senator Chafee was doing a great job, but I might say he was not only barking on my time, but he was barking up the wrong tree as well. [Laughter.]

We are even now.

I just want to say two quick things about Don Pease's bill. First, I believe the comparable Senate bill is S. 498. Senator Riegle is going to offer it or a slightly changed version of it. Although "unreasonable practices" for 301 purposes and "unjustifiable practice" sound a lot alike and Senator Chafee and others may worry that somehow we are going to change part of the term and change things around, nonetheless if something is found unreasonable under 301, action is discretionary on the part of the President. If it is unjustifiable under the Senate bill, it is not discretionary—although there are some windows through which we expect all kinds of people to jump—it would be mandatory or compulsory; and I want to just emphasize that.

What you say is correct. And I am concerned that the debate here has taken on a kind of "us" versus "them" discussion. I don't know whether it is free trade versus protectionism or Republican versus Democrat or Administration versus the rest of the world. But I just want to go on record as saying that this Senator is going to support Don Riegle's bill and wants to be a co-sponsor of it. So, there will be no mistake that this is not an "us" versus "them," whoever they are you can worry about later.

So, Don, I commend you on doing very thoughtful and excellent work.

Congressman PEASE. Thank you, Senator.

Senator CHAFEE. Both Don's.

Senator RIEGLE. I thank you, Senator, and I thank you for your co-sponsorship, and I think as we make any refinements, I will very much look forward to working with Senator Heinz.

The CHAIRMAN. Gentlemen, thank you.

Senator BAUCUS. Just a brief question, Mr. Chairman. Congressman Pease, what kinds of products would be covered in your bill? Can you name some countries? What countries or what industries? As you interpret your bill, what would be covered, just briefly?

Congressman **Pease**. I think you could take South Korea, for example, as a country that represses labor rights, and it does; there are automobiles, there is steel, machine tools.

Senator **Baucus**. So, in Korea, it would be covered?

Congressman **Pease**. It could be. It would be subject to a petition, usually from the industry, via the 301 process.

Senator **Baucus**. So, in your judgment, that would justify an alignment with 301? If your bill is enacted, it would be allowed and should be successfully concluded?

Congressman **Pease**. I think it is quite likely that a 301 petition could be brought, and I couldn't prejudge the outcome of it; but there certainly is repression of labor rights in Korea. Under my formulation in the subcommittee last week, if the USTR found that Korea was making vigorous and adequate steps toward providing worker rights, i.e. not throwing people in jail anymore because they wanted to be officers of a labor union, then the USTR might find that there was not an actual violation.

Senator **Baucus**. Labor rights in Korea in regard to the right to bargain or child labor?

Congressman **Pease**. In Korea, it is largely a rather cavalier treatment of labor unions. Union leaders who successfully negotiate contracts are likely to find themselves in jail afterwards.

Senator **Baucus**. Thank you, Mr. Chairman.

The **Chairman**. Senator Riegle?

Senator **Riegle**. Just one very brief comment, and that is that I think there is another value to having this provision; and that is that, not only does it provide flexibility in terms of determination by the President, but it provides a positive incentive to other countries to begin to change their practices with respect to unfair worker conditions.

Inasmuch as bringing trade actions, I think we want to try to create a positive environment to put an end to some of this abuse around the world and to help bring about a different standard. When other Senators raise questions about the Soviet Union, what we are trying to do is to use, in a sense, our view of the value of the human rights aspects of workers in a way of trying to set a standard and trying to pull the nations of the world up to a somewhat higher standard.

That is really what we are doing here as well. And I thank the Congressman for his comments.

The **Chairman**. Thank you very much.

Congressman **Pease**. Thank you, Mr. Chairman.

The **Chairman**. We thank you so much for your contribution this morning.

Congressman **Pease**. Thank you.

The **Chairman**. The next panel we will hear from is the Honorable Michael Smith, Deputy U.S. Trade Representative and the Honorable Roger Semerad, Assistant Secretary of Labor for Employment and Training. Gentlemen, if you will come forward, please. Mr. Ambassador, do you have a statement?

Ambassador **Smith**. I do have a statement, Senator.

The **Chairman**. If you would proceed and summarize it, we would appreciate it.

[The prepared written statement of Congressman Pease follows:]

Testimony of U. S. Representative Don J. Pease
Before the Senate Finance Committee
March 18, 1987

Mr. Chairman, thank you for the privilege of appearing before this distinguished committee to discuss worker rights and trade adjustment assistance.

I. Worker Rights

It is essential that this year's trade debate avoid more polarizing rhetoric and center on constructive approaches to spread the benefits of trade as broadly as possible. Trade can play a positive role in advancing the interests of a broad range of American businesses, consumers, and workers, while promoting gains in living standards abroad, especially in developing countries.

As international trade has grown enormously after World War II, the U. S. has gained trading partners across the developing world. At present, these poorer nations account for more than a third of U. S. trade. However, there is one especially heavy cost. Some foreign governments rely upon the brutal repression of their labor forces to unfairly produce goods for export.

Systematic labor repression has become a potent weapon in the arsenal of unfair trading practices that some foreign nations use to break into U. S. markets. Its impact on competing U. S. industries is just as harmful as foreign government subsidies to exporters on dumping.

As we strengthen our trade laws to advance fair trade and to authorize actions against unfair trade practice, I implore this committee to recognize that the rights of workers are as much at stake in the trading system as the rights of manufacturers and consumers. Now is the time for the Congress to act to treat as an unfair trade practice the competitive advantages in international trade that some nations derive from the systematic denial of basic worker rights.

But you don't have to take my word for it.

Listen to the words of the U. S. Secretary of Labor, Bill Brock, speaking in Geneva last summer:

> Those countries which are flooding world markets with goods made by children, or by workers who can't form free trade unions or bargain collectively, or who are denied even the most minimum standards of safety and health are doing more harm to the principle of free and fair trade than any protectionist groups I can think of.

Just three weeks ago, the Retail Industry Trade Action Coalition (RITAC), comprised of some of America's leading companies catering to the needs of American consumers endorsed my legislation on worker rights. Quoting from RITAC's recent testimony to the House Ways and Means Committee:

> We support measures like the Pease amendment (in H.R. 3) which seeks to encourage other countries -- which benefit from access to our markets -- to provide their workers with basic internationally recognized rights......In our view, the United States should use its influence to improve the lot of workers world-wide and to help our workers regain their competitive edge.

Critics of the movement to link labor rights and international trade most often attempt to discredit such efforts by asserting answers to two questions:

(1) How can we impose U. S. labor standards on the rest of the trading world?

(2) In linking labor rights to international trade, isn't the real policy objective to keep imports out of the U. S. market to protect American jobs and not to improve labor conditions of foreign workers?

First, it is patently false to argue that the labor rights provisions now in U. S. trade law as well as those proposed for this year's trade bill require other trading countries to protect worker rights that the U. S. has not agreed to itself in binding form. They cannot be construed as a minimum wage for the world approach. The statutory definition of internationally recognized worker rights avoids this inconsistency. In fact, each of the rights cited in the definition is Constitutionally or statutorily protected in the U. S. and bolstered by rich case history in the courts. With respect to minimum wages, the definition is consciously phrased more flexibly to allow taking into account a country's level of economic development in its application. Enacted and pending labor rights provisions are neither hypocritical or unreasonable because they do not ask other trading countries to do as much, let alone more, than we have already seen fit to do in U. S. law to afford workers their basic rights.

Whether the U. S. has formally ratified certain ILO conventions is not the issue to be addressed in deciding whether promoting respect for basic labor rights ought to be linked to the conduct of U. S. trade policy. To reject this linkage on such grounds is to act purely on legal technicality in transparent defiance of reality.

It has been official U. S. policy for more than 50 years, through both Republican and Democratic Administrations, to belong to the ILO, to actively support international respect for basic worker rights embodied in the fundamental ILO conventions, and to vigorously participate in the supervision of international adherence to the basic ILO conventions. The truth of the matter is that our country does recognize in practice the legitimacy of the worker rights embodied in the basic ILO conventions.

U. S. membership in the ILO and official U. S. support for international adherence to basic ILO standards actually predates and is no different than our official acceptance of the rules of the international trading system as spelled out in the GATT. The U. S. has not formally ratified/recognized the GATT, but nobody seriously questions that it has long been official U. S. policy throughout the past 40 years to belong to the GATT governing bodies and to work toward international acceptance of and adherence to GATT trading standards. In fact, adoption and enforcement of labor rights provisions would strengthen both the GATT and the ILO systems.

Moreover, trading nations know what are internationally recognized worker rights and that the definition in the U. S. law mirrors basic labor rights and standards spelled out in the basic ILO conventions. As a matter of law, any country that belongs to the ILO and has ratified an ILO convention is legally bound to implement national laws to carry out the purpose of that particular ILO convention. More basic, more than 150 countries belong to the ILO and with membership comes de facto acceptance of freedom of association. It is instructive to examine international law and the record of international acceptance of these rights as stated in the fundamental ILO conventions as of January 1, 1985:

With regard to freedom of association, 105 countries (including Gabon, Bulgaria, China, and Singapore) have ratified Convention #11 (1921) dealing with the right of association. Ninety-seven countries have ratified Convention #87 (1948) pertaining to the freedom of association (including Chad, Hungary, the Soviet Union, and Haiti) and protective of the right to organize.

With respect to the right to organize and bargain collectively, 113 countries (including Bangladesh, Indonesia, and Romania) have ratified Convention #98 (1949) pertaining to the right to organize and bargain collectively. On forced labor, 109 countries (including Angola, Malaysia, and Thailand) have ratified Convention #105 (1957) calling for the abolition of forced labor.

Regarding the establishment of a minimum age for the employment of children, 69 countries (including Albania, Ivory Coast, and Singapore) have ratified Convention #5, (1919) fixing an age of 14 years as a minimum age for industrial employment.

Incidentally, some are surprised to learn that 46 countries (including Bolivia, Czechoslovakia, and Pakistan have ratified Convention #1 (1921) pertaining to hours of work and 32 countries (including Romania, Sri Lanka, and Zambia) have ratified Convention #131 (1972) calling for the establishment of a system of minimum wages to cover wage earners.

Furthermore, the Reagan Administration has had no trouble defining what is meant by internationally recognized worker rights. Appendix B of the State Department's Human Rights Country Report provide an excellent definition for purposes of reporting on the status of worker rights in more than 150 countries and enforcing U. S. law.

Second, labeling efforts to link labor rights with the conduct of international trade as "protectionist" does not make them so. To the contrary, devout free trade advocates simply must grasp that any future hope for an open trading system in the world is very much in jeopardy. Unless the benefits of international trade are shared more broadly with workers everywhere, then pressure will continue to build within the U. S. and other developed countries to close their markets to many imports.

The U. S. in the last 20 years has gone from being the acknowledged economic superpower in the world to being one of a pack of economic powerhouses engaged in very hard-nosed global competition to retain old markets and to open new ones. Coinciding with our deeper integration into the global economy, we have seen a trade surplus turn into a $170 billion annual trade deficit in just five years. Our manufacturing base has been frightfully eroded. Millions of good-paying American jobs have been lost forever to foreign sweatshops. Service jobs paying the minimum wage or little more are little consolation. Every day it becomes more apparent that the trade gap is fundamentally a standard-of-living gap. Too often in corporate boardrooms that translates into a presumption that the American standard of living for many American manufacturing workers is too high.

Assume that we level the playing field, adapt our production methods, improve our productivity, and expand our research and development of new technologies. Still, how can we hope to compete against China, South Korea, or any other country in which basic labor rights are non-existent, wages are but a fraction of ours, and to which capital and technology can be transferred at the relative drop of a hat? Is it fair and right to ask American workers to do so?

The answer is that American factories and workers will continue to be at an extreme disadvantage in competing with their counterparts in countries like Taiwan where the hourly manufacturing wage is 13 percent of that in America. Assembly workers there live in crowded company-owned dorms with no air conditioning, despite 100 degree heat and high humidity, no potable water, no recreational facilities, and no social activities. Health and safety regulations are or and nonexistent, even when workers handle hazardous products. Strikes are all but illegal under martial law. Although a collective bargaining law is on the books, there are no agreements in effect. The few unions that do exist are government-controlled. The Ministry of Interior appoints union leaders, and plant managers often line government and company coffers with the union dues they collect, while distributing official propaganda through union channels.

The result of such lop-sided quasi-competition is that U. S. production and jobs increasingly are shifted overseas. Who among us have not seen or heard of plants closed in or near our community with the production moved abroad or abandoned altogether in the face of the on-going flood of imports? Those American manufacturing workers lucky enough to still have jobs are seemingly being forced to accept a steady decline in their standards of living, given an inexhaustible surplus of hands around the world desperate for any work.

That is why the customary terms of the trade debate are no longer useful. That is why the dynamics of the international trading system must be changed to spread the benefits much more fully with workers everywhere if any semblance of an open trading system is to be realized.

A significant start has been made and additional labor rights legislation could actually help to drown out the siren song of protectionism. Priority should be given to improving the GATT and U. S. trade law by building in incentives for labor standards to move up in developing countries to some minimum level of respect for internationally recognized worker rights. We cannot afford to tolerate, consciously or unconsciously, a trading system that pits American workers in dog-eat-dog competition with the lowest common international denominator on worker rights. The ability to sell in America, the world's greatest consumer market, is a powerful source of influence that ought to be used to prod foreign countries to respect basic labor rights and to expand upon who benefits from trade within countries as well as among them. It is just as true overseas as it is here at home that affording working people the rights and tools with which to improve their incomes creates increased demand for more American exports which creates more American jobs.

II. Trade Adjustment Assistance

The Administration, in its budget proposal, and the Lovell Commission have proposed a new, $1 billion integrated dislocated worker assistance program emphasizing rapid delivery of employment services and retraining benefits.

The Lovell Report estimated that about 500,000 eligible workers would avail themselves of the program each year. The Commission allowed for $1,300 per participant for a 13 week training course ($700 million). An additional $120 million and $80 million would fund administrative costs of enhanced employment services and supplemental income maintenance during retraining, respectively.

Clearly, $1 billion is not enough money to provide adequate retraining and income maintenance benefits for all 500,000 plus eligible workers that the Lovell Report estimates will apply for the program annually. The Lovell Report acknowledges that many retraining and remedial education programs last 9 months to a year and cost much more than $1,300.

The Administration and Lovell proposals properly identify an important problem, but meet only halfway the challenge it presents. Resources for retraining, in particular, are spread too thin. Last week, the House Ways and Means Subcommittee on Trade adopted an amendment I offered to create the proper means and incentive for a dislocated worker certified under TAA to retrain. The bill approved by the Subcommittee on Trade would entitle each worker to a $4,000 training voucher, which could be used for any combination of retraining (classroom or on-the-job), remedial education and relocation benefits approved by his state. I am encouraged to note that the bipartisan bill pending before this Committee makes a similar proposal.

It is widely recognized that supplemental income maintenance is important to the success of a worker adjustment program. Workers must be able to satisfy the basic needs of their families while they retrain. The Administration's proposal would eliminate a program providing adequate supplemental income maintenance for some (TRA) with a program providing adequate supplemental income maintenance for none.

Critics of the Trade Adjustment Assistance program have argued that income maintenance benefits like Trade Readjustment Allowances (TRA) lessen the incentive to find a new job. Further, they maintain that permitting the payment of supplemental income maintenance only when the worker is engaged in training will artificially inflate the demand for training, since it would become the only effective alternative to taking a low paying job.

Training is not for everyone. Permitting TRA to be converted into a supplemental wage allowance could provide an incentive to return to work for those not wishing to retrain by easing the financial transition they face. Easing the transition, after all, is what an adjustment program for dislocated workers should be all about.

This option would be particularly responsive to the plight of older dislocated workers. Workers with only five to ten years left in the workforce are less adaptable to and interested in retraining. Most older dislocated workers, unlike their younger colleagues who can retrain for skilled, higher-paying jobs, are consigned to unskilled, low-paying jobs. A program that exclusively emphasizes training overlooks and, in effect, discriminates against this group of workers.

For those not disposed or suited to retraining, my amendment would create a new option under the TAA program. A worker who takes a new job paying less than his old job would be entitled to collect up to 50% of his TRA benefits in the form of a supplemental wage allowance. Spread over a one year period commencing with termination of unemployment benefits, the allowance would supplement the wage re-employed dislocated workers will be paid in what will often be an entry level job. Most jobs provide a raise within a year. The allowance would cushion the fall in their earning power during the first (lowest-paying) year of their new job. The allowance could not exceed an amount raising the worker's new salary to more than 80% of his old salary.

By adding both a training entitlement and the option to convert TRA benefits into a supplemental wage allowance, the Subcommittee bill would reform the TAA program to present the dislocated worker with an balance of incentives more consistent with the goal of promoting adjustment.

The new program would present eligible workers with three options:

1) Pure supplemental income maintenance -- For the worker whose plant was not closed upon his dislocation (i.e., there is some prospect he will be rehired), the basic 26 weeks of TRA, unlinked to retraining, would continue.

2) Supplemental income maintenance while in training -- The existing 52 weeks of TRA as well as a new $4,000 training entitlement would provide the dislocated worker with the proper means and incentive to retrain.

3) 50% TRA conversion option into supplemental wage allowance -- The option to convert his TRA benefits to a supplemental wage allowance would create for the dislocated worker the incentive to take a new, albeit lower paying, job, since he could earn more money than if he continued to collect UI or TRA benefits. However, the 50% conversion rate is modest enough (i.e., $2 an hour) that it would be unlikely to distort a worker's decision

to undertake retraining if he felt doing so would make sense financially in the long run.

The addition of this supplemental wage allowance option and the narrowing of eligibility for the basic 26 weeks of TRA are designed to address the longstanding criticisms of the income maintenance aspects of the TAA program. At the same time, the provision of the training entitlement is intended to supply the proper incentive for workers to undertake retraining and, in doing so, to improve the overall productivity of the American workforce.

STATEMENT OF HON. MICHAEL SMITH, DEPUTY U.S. TRADE REPRESENTATIVE, WASHINGTON, DC, ACCOMPANIED BY DAVID P. SHARK, DEPUTY ASSISTANT U.S. TRADE REPRESENTATIVE FOR TRADE POLICY COORDINATION

Ambassador **Smith**. Thank you, Mr. Chairman. I am joined this morning by Mr. David Shark from the Office of the U.S. Trade Representative, and I have available also with me Mr. Chris Parlin, who is in the office of the General Counsel of the USTR. I do have a statement, but I will summarize as you have requested.

Very briefly put, I think the Administration is well on record as trying to work internationally to get approved worker rights. The Department of State for the last forty-five years has had labor attachés overseas as part of the Foreign Service. Every embassy in the world—U.S. embassy in the world—has an officer responsible for following labor issues. AID is involved in this, as you know, and Mr. Semerad will probably touch on this when he testifies.

We have been trying to work assiduously to promote workers' rights. We have the CBI initiative, which was referred to earlier, and the Generalized System of Preferences. That is just to summarize.

Let me move on now to the Uruguay Round and then to 301. As you know, during the Uruguay Round, that was launched in Punta del Este last September. The key issue in the run-up to launching of the round was negotiation on what issues would be on the agenda, and we spent lots of time on this. Worker rights was among the issues brought by the United States to include on the agenda. We were the only country that brought that issue forward.

We do believe that it is time for the GATT to review the interrelationship between workers' rights and trade and to examine how the GATT should deal with that relationship.

However, we do think that this should be based on international concensus as the GATT and all the provisions therein are based on international concensus. We raised our workers' rights proposal both in the preparatory meetings in Geneva that were held in advance of the Punta del Este Ministerial and then at the Ministerial itself.

Our efforts in Punta del Este were aided by the presence of representatives of the AFL-CIO, who came to Punta del Este as private sector advisors to the delegation. It is no secret to you that we were unable to achieve a Ministerial concensus for the inclusion of workers' rights on the current agenda.

One of the problems—and it was a serious problem—that we faced was that many saw and now continue to see that the issue of workers' rights is a Trojan horse for protectionism.

As a result, even countries with exemplary records on workers' rights, such as Sweden, refused to support our initiative. Nonetheless, Mr. Chairman, we don't think that the door is closed. At our insistence, the chairman's summing up statement at the Punta del Este Ministerial included a notation to the effect that workers' rights was one of a number of issues where agreement couldn't be reached at that time, but that there was agreement that new issues can be added to the Uruguay agenda at any time if the necessary concensus can be found.

In following up on that, we have established an interagency task force, developed specifically to promote the introduction of workers' rights in the Uruguay Round. We have our work cut out for us. We have to convince other countries that workers' rights isn't disguised protectionism and isn't an attempt to impose our standards upon them and isn't an effort to deprive other countries of areas of legitimate comparative advantage. This won't be easy.

We need the help of the labor unions. It is perhaps worthy of notation by this committee that the foreign trade unions in the developed countries were either not involved on this issue in the lead-up to Punta del Este or, if they were, they had virtually no influence on their governments because their governments would not join with us in bringing this issue forward.

Moving to Section 301, Mr. Chairman, we oppose proposals which would make failure to meet "international standards for workers' rights" actionable under 301. We believe that the concept itself is fundamentally flawed.

There is no international concensus on what constitutes unfair workers' rights practice or how it should be dealt with in the context of international trade. ILO standards are often pointed to in discussions of what constitutes workers' rights. However, ILO standards are general in nature, providing a wide degree of latitude for different implementation and requiring a considerable amount of interpretation by experts. The subjective nature of workers' rights criteria also makes it impossible, I would submit, to determine, as required by Section 301 procedures, either the "burden or restriction" on U.S. commerce resulting from these practices or on an appropriate remedy.

The CHAIRMAN. Mr. Ambassador, if you could summarize? What you have stated thus far will obviously lead to a number of questions, and we will be poking at this for some time. If you could summarize your remarks, and then we will insert your entire statement in the record, we would appreciate it.

Ambassador SMITH. All right, sir. In brief, we would find it impossible to measure, as we are required to under Section 301, the burden or the loss that is incurred for failure of a foreign country to abide by these standards.

We think that imposing this under the 301 will aggravate the problem rather than help us bring countries along to improve workers' rights. We do not think that the GSP experience is a precedent because of the different nature of the trade benefit extended.

And we believe, finally, that what we should be seeking in workers' rights, which is a difficult issue to begin with and one which impinges upon countries' own sovereignties, that we should be working for an evolutionary approach rather than an approach which will be certainly taken by other countries as a unilateral imposition of the American will. Thank you, sir.

The CHAIRMAN. Thank you very much, Mr. Ambassador.

Mr. Secretary, if you would proceed?

[The prepared written statement of Ambassador Smith follows:]

TESTIMONY OF
AMBASSADOR MICHAEL B SMITH
DEPUTY UNITED STATES TRADE REPRESENTATIVE

BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE

MARCH 18, 1987

I welcome this opportunity to appear before the Committee to discuss worker rights and trade. This morning I would like to discuss the Administration's views and activities in the worker rights area and our views on proposed legislation on worker rights and trade.

At the outset, I should emphasize that this Administration is firmly committed to working internationally for improved respect for workers rights. Our efforts to promote respect for worker rights are based in the belief that promoting free and democratic unions and respect for the rights of workers is an important element of our broader efforts to promote democracy and economic stability globally. In the context of developing countries, we see the development of a strong legal infrastructure for the promotion of worker rights as an important part of the development process. We believe that development and trade should not be viewed as an end. Rather, they are a means for promoting higher standards of living worldwide, and respect for worker rights plays an important role in this process.

Our efforts in the area of worker rights have a long history, firmly based in law and policy. In fact, it has been almost 45 years since the State Department first assigned foreign service officers as labor attaches abroad. Moreover, for many years, the Foreign Assistance Act has explicitly stated that aiding the development of free and democratic trade unions is an objective of U.S. foreign policy.

Our ongoing efforts to promote respect for worker rights draw upon the resources of the Department of State, the Agency for International Development, the U.S. Information Agency and the Department of Labor. With respect to the Department of State, every U.S. embassy in the world has an officer responsible for following labor issues. Among the responsibilities of these officers is to promote free and democratic labor unions. An integral part of the Department of State's Country Reports on Human Rights Practices, submitted to Congress annually, is an assessment of worker rights practices in each country.

The Agency for International Development has an extensive program for funding the training and education of foreign labor leaders through the AFL-CIO. These efforts go hand-in-hand with the work of the U.S. Information Agency. Through the USIA's International Visitors Program, foreign labor leaders and future leaders are invited to the United States to meet with U.S. labor leaders and view our democratic labor institutions and practices first-hand.

USIA also funds visits abroad by U.S. labor leaders. The Department of Labor, through its Bureau of International Labor Affairs, plays an important role in our efforts by providing technical assistance seminars overseas and in working with AID and USIA in planning travel by labor leaders under programs such as the International Visitors Program. The Department of Labor also supplies requested technical support services to the AFL-CIO's international trade union institutes. In addition, by congressional direction, the Department of Labor administered a $2 million contract program in 1982 to help the trade union institutes study and provide technical services to democratic trade unions in a range of developing countries.

Another important element of our efforts to promote respect for worker rights has been our active membership in the International Labor Organization (ILO), which develops labor standards and promotes respect for these standards. These standards cover basic trade union rights, such as freedom of association, protection against safety and health hazards, and employee benefits. A GAO study in 1984 concluded that increased U.S. activities in the ILO had significantly enhanced our participation in that international organization.

In recent years, we have also worked to promote respect for worker rights through implementation of worker rights provisions in the laws governing the President's Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP) and the Overseas Private Investment Corporation (OPIC). In implementing the CBI program, worker rights formed an important part of the bilateral consultations leading up to our decisions to designate countries as eligible for the program. With respect to the GSP program, a review of worker rights practices in certain countries was an important element of our recently concluded General Review. Through both the CBI designation process and our reviews under GSP, we have encouraged progress with some success.

More recently, we have sought to introduce the issue of worker rights in the Uruguay Round of multilateral trade negotiations. I would like to take a moment to review these efforts with you.

The Uruguay Round

As you know, the Uruguay Round was launched last September at a ministerial level meeting in Punta del Este, Uruguay. The key issue in the run-up to launching the negotiations was what issues would be on the agenda. We spent many months in intensive negotiations over this issue. Worker rights was among the issues that we sought to include on the agenda. We believe that the time is ripe for the GATT to review the interrelationship between worker rights and trade, and to examine how the GATT should deal with this interrelationship. Moreover, for efforts at improvement of respect for worker rights in the trade arena to be more productive, they should be based upon an international consensus as to the appropriate means for seeking this objective.

We raised our proposal both in the preparatory meetings that were held in advance of the Punta del Este ministerial and in the ministerial itself. In Punta del Este, our efforts were aided by the presence of representatives of the AFL-CIO as private sector advisors to the U.S. delegation. Throughout this process, Ambassador Yeutter made clear that this was an area of major interest for us.

As you know, at Punta del Este we were unable to achieve the multilateral consensus necessary to include worker rights on the agenda. One of the most serious problems we faced was that many saw, and continue to see, the issue of worker rights as a trojan horse for protectionism. As a result, even countries with exemplary records on worker rights did not rise to support us.

Nevertheless, the door is not closed. In the chairman's summing up at the end of the Punta del Este ministerial, he noted that worker rights was one of a number of issues where agreement could not be reached "at this time." I emphasize the words "at this time" because new issues can be added to the Uruguay Round agenda at any time if the necessary consensus can be found.

The Administration has included consideration by the GATT of the worker rights issue among the negotiating objectives listed in our trade bill. As evidenced by this proposal, we are committed to building the necessary consensus to achieve this objective. In this effort we intend to work closely with the our private sector --particularly organized labor. An essential element of building support will be for organized labor to encourage their counterparts in other countries to become actively involved.

We have established an interagency task force devoted specifically to promoting introduction of this issue in the Uruguay Round. Quite obviously, we have our work cut out for us. We will have to convince other countries that worker rights is not disguised protectionism, an attempt to impose U.S. standards upon other countries or an effort to deprive other countries of areas of legitimate comparative advantage but rather an attempt to ensure that trade contributes to increased living standards. Our task will not be an easy one, but it is a task that we are committed to. In the meantime, it is important that we not take actions that will prove to be counterproductive; which brings me to the final subject of this statement.

Section 301 and Worker Rights

This administration opposes proposals which would make failure to meet "international" standards for worker rights actionable under

Section 301. While we appreciate that efforts have been made to respond to our objections, our view is that the concept itself is fundamentally flawed. For a number of reasons, an attempt by the United States to impose such standards unilaterally on the rest of the world could do more to reduce trade than to advance the cause of worker rights elsewhere in the world.

There is no international consensus on what constitutes an "unfair" worker rights practice or on how it should be dealt with in the context of international trade. ILO standards are often pointed to in discussions of what constitutes workers rights. However, ILO standards tend to be general in nature, providing a wide degree of latitude for differing implementation and requiring a considerable amount of interpretation by experts. Other than a section on prison labor, the GATT does not contain any explicit reference to labor standards. Any trade action taken by the United States under Section 301 would have no sanction under existing international trade rules; therefore, the United States would be subject to retaliation against its own exports if it took actions which impaired our international trade obligations.

The subjective nature of worker rights criteria also makes it difficult to determine, as required by Section 301 procedures, either the "burden or restriction on U.S. Commerce" resulting from these practices or an appropriate remedy. How does one measure the burden caused by failure to permit industry-wide bargaining, or for requirements for binding arbitration, or for the restriction of Federation assistance to local bargaining units? And while repressed worker rights certainly can provide some cost advantage, I would submit that the existence historically of free trade unions in the United States has made us more competitive, not less.

Our experience to date with GSP and CBI has shown worker rights issues to be complex and highly sensitive politically. Moreover, worker rights policies vary greatly from country to country, and are deeply embodied in a country's socio-economic system. The public complaints have centered on issues such as union participation in politics, federation assistance in local bargaining, unfair union certification procedures, and the jailing and harassment of labor leaders. (I should note that it is our understanding that the amendment's sponsors agree that significantly lower wages or other worker benefits do not by themselves constitute a violation.) Use of the very public Section 301 procedure, with its public finding of unfairness, to deal with such complaints would tend to aggravate national sensitivities in such a way as to preclude the sort of evolutionary progress that might be achieved by other, less confrontational means. Use of such a blunt instrument would thus likely lead to trade restrictions rather than improvement in worker rights.

It may be argued that the proposal is merely a simple extension of the worker rights provisions incorporated in the GSP program. While it is true that the identical list of worker rights is provided for in the GSP program, there are critical differences as to the context in which the list is used. Those differences constitute a leap, not a simple extension, in the use of worker rights in trade policy. First, GSP is designed to facilitate economic development; it consists of concessions unilaterally granted by the United States. Thus, the U.S. has the right not only to determine the conditions of access to the program, but also to set conditions of access which are subjective and not necessarily based on international consensus.

Second, the GSP process affords an opportunity to gain progress quietly in the complex and politically sensitive area of social policy. Use of Section 301 would likely create a significantly different environment for bilateral discussions.

Third, upon a negative finding under GSP, the U.S. removes GSP benefits. Under Section 301, if satisfactory steps were not achieved, we would consider retaliation which could entail restricting imports from that country. On what basis would we establish the trade remedy? What would be the level of retaliation commensurate to a failure to permit independent union activity or for not permitting collective bargaining beyond the company level? How would we justify retaliation if it violates our international obligations under the GATT?

Fourth, unlike Section 301, the GSP excludes virtually all communist countries. Under the worker rights clause in GSP, Romania has been eliminated from that program. Do we intend to take 301 action to demand improvements in worker rights from the entire Soviet bloc? Certainly, workers in those countries have neither the right to form free trade unions nor to bargain collectively. The communist party system precludes these rights. A Section 301 case would likely not cause these countries to alter their whole system of government to grant worker rights. The only result would be U.S. restrictions on imports from these nations (and, almost certainly, retaliatory action by them against our exports).

On the other hand, if the U.S. decided not to use this amendment in relation to the Soviet bloc, how could we apply it to other countries? We would be guilty of a gross double standard.

A better approach to international labor standards is to seek improved foreign country practices through the avenues now available, while in a trade context seeking broad international agreement on how this issue should be addressed. It is this approach that we are pursuing in the Uruguay Round.

STATEMENT OF HON. ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, WASHINGTON, DC, ACCOMPANIED BY ROBERT JONES, DEPUTY ASSISTANT SECRETARY, U.S. DEPARTMENT OF LABOR

Secretary **Semerad**. Thank you, Mr. Chairman. I am pleased to have the opportunity to testify before the committee this morning. I think we all share the concern of how we can best help in the readjustment of dislocated workers. My full testimony, with your permission, is submitted for the record; and I will summarize in the interest of time.

I have with me today at the table, my deputy, Bob Jones.

As you know, the Administration's Worker Readjustment program is contained in the Trade, Employment and Productivity Act of 1987, which the President transmitted to Congress on February 19th.

We now have in place three programs that attempt to address various aspects of dislocated worker problems: Trade Adjustment Assistance, the JTPA Dislocated Worker Program, and Unemployment Insurance. Each of these has serious limitations in a rapidly changing economy.

TAA has significant shortcomings. It is costly, serving only about 48,000 workers this year, at a cost of $206 million, or $4,300 per worker served. It is inequitable, discriminating in favor of one group of dislocated workers over another based on the cause of their unemployment. One group of workers laid off from a plant may get TAA while another group at the same plant may be ineligible. This has resulted in pressure over the years to keep adding additional groups of workers to those eligible for programs, such as employees of secondary suppliers.

TAA has a lengthy and cumbersome investigation and certification process that frequently results in assistance being provided to the worker long after the layoff has occurred.

TAA emphasizes extended income support, rather than the early intervention and assistance that is necessary to effectively help dislocated workers. Research has shown that long periods of benefits simply prolong unemployment and job search and delay the workers' decision to enroll in adjustment activities.

The Job Training Partnership Act Dislocated Worker Program has not been without its problems as well. In too many States there have been delays in mounting the programs and in enrolling displaced workers. Further, the Title III allocation process has not allowed the flexibility needed to target funds where the problems are.

The UI system is primarily oriented toward income replacement. It provides a temporary financial cushion for workers who lose their jobs, but it has not been used to actively assist in the adjustment process.

We need a new, more comprehensive approach to the problems of worker dislocation. Our proposal incorporates many of the recommendations of Secretary Brock's Task Force on Economic Adjustment and Worker Dislocation and the President's Commission on International Competitiveness, and is based on—in large measure—our experience in learning what works best for these workers.

Our proposal is based on a set of principles which we are convinced must be reflected in any new legislation to help dislocated workers. The program covers all workers, regardless of the cause of their dislocation. It provides incentives for early notification of plant closings and mechanisms for early intervention. There are close linkages to the Unemployment Insurance system.

The program stresses adjustment assistance and training, rather than just costly income support; and it provides flexibility to target resources more quickly. And I think we would all agree that America has to learn how to redeploy its work force much more quickly in this process of economic change.

Let me describe some of the key features of our bill. It will set up a comprehensive new program, replacing TAA and JTPA Title III. It will be funded at $980 million and help 700,000 workers—three times the resources and workers served by TAA and JTPA Title III combined. The cost of serving a participant will be on the order of $1,400, far less than TAA.

It will serve all dislocated workers, including those who are trade-impacted, and cover virtually the entire universe of those we believe need Government assistance. Three types of services would be provided: basic readjustment services, retraining, and the Secretary's discretionary fund activities, which could include multi-State projects, mass layoffs, natural disasters, and demonstration projects.

Mr. Chairman, there have been a number of worker adjustment proposals introduced in the Congress, including your bill, S. 490. I believe we are all trying to achieve the same results—an effective worker adjustment policy. But I believe now is the time to replace the inequitable and inefficient approach of having several programs serving different segments of dislocated workers with a new, more comprehensive program. I am confident that we can work together for enactment of a comprehensive worker readjustment proposal this year, and I look forward to a continuing dialogue with you and the members of this committee on the issue.

I thank you very much, and I would be pleased to answer any questions.

The CHAIRMAN. With that in mind, Mr. Secretary, I was listening to your comments there about some workers being treated differently than others; so, don't you think we owe a special obligation to workers who are dislocated from their jobs because of our commitment to open trade and free trade and espousing that and working toward that?

That is a different consideration than it is to the person who chose not to stay in school long enough to learn to read and write. Those are a problem, and it seems that we have a special obligation, with our commitment to open trade, to that person who is dislocated from their job.

Secretary SEMERAD. Mr. Chairman, I think we all know that our economy is moving from a manufacturing base and more of an industrial base to a more technologically oriented economy. It is changing. If workers are laid off—if you are out of work and you are in trouble and you are in pain, it doesn't matter to you whether it is because of trade impact. It is a fact that you need some assistance in getting restarted in a changing economy.

The jobs are not coming back. As you know, 100 years ago we were wringing our hands in this country as people left the farm to go to the plant. Now, they are leaving the plants, and they are going into different kinds of businesses.

And I think the vibrance of our economy suggests that to discriminate is not only expensive, but it is unfair.

The CHAIRMAN. I certainly hope that we are not losing our industrial base and just going into a service economy and some kind of a Taco Bell economy. I just don't think you will remain a great power, and I don't think that we can afford that.

And I think there are certain basic industries that we just have to have in this country and that we are going to see that we have to have. I think that is an imperative.

[The prepared written statement of Secretary Semerad follows:]

STATEMENT OF
ROGER D. SEMERAD
ASSISTANT SECRETARY OF LABOR
FOR EMPLOYMENT AND TRAINING
BEFORE THE
SENATE FINANCE COMMITTEE

March 18, 1987

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to testify before you today on the important subject of how we can most effectively help in the readjustment of workers who have been displaced from their jobs through no fault of their own. As you know, the Administration's Worker Readjustment proposal is contained in the "Trade, Employment and Productivity Act of 1987" which the President transmitted to the Congress on February 19. This legislation also includes three other Department of Labor (DOL) proposals -- an AFDC Youth Initiative to target services to these youth under the Job Training Partnership Act, and proposals to refocus the public employment service and decentralize administrative financing of the Unemployment Insurance (UI) system. We hope to have the opportunity to discuss these proposals with you on another occasion.

Let me turn now to the particular problem of dislocated workers, which our proposed Worker Readjustment program addresses.

Worker dislocation is a serious issue, one that has been with us for some time, and one that is an inevitable feature of a dynamic economy. It is a problem that is not going to go away. As our Nation strives to maintain its dynamic economy and enhance its competitiveness, we will continue to produce new goods and services and adopt new technologies and production techniques.

It is inevitable that in response to international marketplace conditions, changed consumer preferences, new technology, and other factors, inferior products and inefficient production methods will be replaced; older plants and production lines will be closed down; and worker dislocations will occur.

The issue we must address now is how to minimize the effects of these displacements on the worker and on the community. It is also important to our Nation that we utilize and thus benefit from the job skills, experience, and productive energy of workers who lose their jobs through no fault of their own.

What are the dimensions of the problem we are addressing? A Bureau of Labor Statistics (BLS) Survey completed in January 1986 found that in the previous five years, 10.8 million adults permanently lost their jobs because their plant closed or their job was abolished. Nearly half of these workers had been at their jobs at least three years when they were let go. When the workers were surveyed, BLS found that 67 percent of those who had been displaced were reemployed, 18 percent were still jobless, and 15 percent had left the work force altogether. Of the employed, 56 percent were earning as much or more than their former job, while 44 percent found lower paying jobs.

As you know, Secretary Brock appointed a Task Force to look at economic adjustment and worker dislocation. The Task Force, which issued its final report last December, found that worker dislocation constitutes a markedly different kind of unemployment in many respects.

Many displaced workers have had long periods of attachment to their employers. Frequently the jobs lost have been achieved after working many years for a single employer. The workers often have difficulty finding jobs that pay as much at the outset, or are comparable in other ways. The adjustment of these workers frequently is made more difficult because of age, obsolete skills, family responsibilities, and community ties. When displacement hits a large number of people in one area, the workers affected and their communities can be devastated.

We believe it essential that the nation have in place an effective and comprehensive policy and program for dislocated workers for the following reasons:

- The slow labor force growth, resulting from the demographic changes we face over the coming decade, makes the full use of worker potential essential -- particularly the potential of those who have a proven capacity and talent for productive work.
- The changing world economic and trade picture, and our own national interest, demand a flexible U.S. labor force that can adjust rapidly to new conditions.

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- There is a broad consensus that dislocated workers should not have to bear the full burden of the adjustment process.

We already have in place programs that attempt to address various aspects of the worker dislocation problem -- Trade Adjustment Assistance (TAA), the JTPA Dislocated Worker Program, and Unemployment Compensation. Each of these approaches has serious limitations. Trade Adjustment Assistance, in particular, has some serious shortcomings:

- TAA is a costly program, serving about 48,000 workers this year at a cost of $206 million, $4,300 per worker served.
- There is a lengthy investigatory and certification process to determine if the dislocation is trade-related; this is both inefficient and inequitable.
- Because of this cumbersome process, many workers do not receive assistance or benefits until well after their layoff have occurred, and in some cases after they have already found a new job.
- The benefits available under TAA and other programs serving dislocated workers are substantially different, which raises the issue of fairness. There are instances in which some workers laid off from a plant are eligible for TAA while their unemployed neighbors are not.
- TAA's overall emphasis is on extended income support rather than the early intervention that we, and most practitioners believe is necessary if we are to

effectively assist the workers in dealing with the dislocation. There is evidence that an extended duration of income support for unemployed workers tends to prolong the duration of their unemployment and delays their decisions to participate in adjustment activities.

The JTPA Dislocated Worker Program also has not been without its problems. In too many States there have been delays in mounting the programs and in enrolling displaced workers. In addition, the Title III allocation process has not proved to have the flexibility needed to target funds to where the problems are.

The Unemployment Insurance system is primarily oriented toward income replacement. While it provides a temporary financial cushion for workers who lose their jobs, it has not been used to actively assist in the adjustment process.

We believe that a new, more comprehensive approach for dislocated workers is called for. The Administration's worker readjustment proposal is a blend of the best features of our current programs, based on the positive learning experience we have had in determining what works best for these workers, and includes some new approaches to the problem.

The importance the Administration places on an effective adjustment policy is demonstrated by our willingness to launch a major new initiative at a time of serious budget constraints. Our proposal incorporates many of the recommendations of the

Secretary's Task Force on Worker Dislocation, the President's Commission on International Competitiveness, and the Cabinet Council Working Group on Human Capital.

Our proposal is based on a set of principles which we are convinced must be reflected in any new legislation to help dislocated workers.

- First, the program we have proposed is comprehensive and covers all workers regardless of the cause of their dislocation.
- Second, it provides incentives for early notification of plant closings and layoffs, and mechanisms for early intervention in those situations.
- Third, there are close linkages to the Unemployment Insurance system.
- Fourth, the program stresses adjustment assistance and training -- as opposed to income support; and
- Fifth, it provides flexibility to target resources to where dislocations occur, and flexibility to move resources to those areas as quickly as the need arises.

Let me briefly describe some of the key features of the Administration's Worker Readjustment proposal and then I will answer any questions you may have.

Our proposal would set up a new program, replacing TAA and Title III of JTPA. It would be funded at $980 million and help 700,000 workers each year--three times the number served by TAA and JTPA Title III combined. The average cost of serving a participant will be $1,400, far less than the TAA program. Eligibility would be broad-based -- essentially the same criteria used under Title III today, and would include trade-impacted workers. Three types of services would be provided: Basic Readjustment Services, Retraining Services, and the Secretary's Discretionary Fund activities.

Governors would receive about $300 million of the funds, by formula, to establish an infrastructure in each State that would provide basic readjustment services. These services would include assessment, counseling, labor market information, and job search search assistance.

Governors also would establish a rapid response capability to deal quickly with plant closing or mass layoff situations. This would be accomplished by such actions as helping to set up voluntary labor-management committees, and identifying and mobilizing State and community resources.

Eighty percent of the basic readjustment funds would be channeled to substate areas by a formula determined by the Governor. The Governor would negotiate with local elected officials and Private Industry Councils (PICs) in substate areas as to who would administer the local grants and how the services would be provided. Those who could administer substate grants include PICs, State agencies, local governments, community colleges, or non-profit agencies.

One-half, or almost $500 million, of the funds under our proposal would be available for retraining services. These services would include traditional classroom and on-the-job training, relocation assistance, vouchers to individuals to arrange their own training at approved institutions, and a new concept called a certificate of eligibility for training.

Let me briefly explain this certificate and the rationale behind it. We have found that dislocated workers are often reluctant to enroll in training. They want another job. Under our proposal, these workers would be given a certificate of eligibility for training which they could redeem, depending on the availability of funds, at any time over a two-year period. This means that a worker could get a job, and then decide to take training to upgrade skills or obtain a General Equivalency Diploma (GED) while employed.

Another feature of the retraining component is that UI recipients who enroll in training by their 10th week of UI would be eligible for income assistance equal to their UI benefit amounts until they complete training. This income assistance would be paid from worker readjustment funds.

[illegible] State would receive funds up to a pre-determined State [illegible] level, based on its formula allocation for basic adjustment services. In turn, each substate grantee would also have a target level. States and substate grantees would be expected to reach their target expenditure levels on a quarterly basis.

The amount States don't spend of their target levels each quarter would be retained in the general retraining fund. This

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would allow the Secretary the flexibility to quickly retarget these funds to areas of greatest need. However, when a State that didn't spend all of its targeted amount in one quarter is suddenly faced with an emergency situation and needs more money, it could apply to the Secretary for additional funds.

The remaining $196 million of the funds is set aside for the Secretary's discretionary use in industry-wide and multi-State projects, mass layoffs, natural disasters, and other national activities. A portion of these funds may be used for technical assistance, demonstration projects, and research.

Finally, let me call your attention to the linkages our bill would establish with the Unemployment Insurance system. Each State must establish a plan for linking the UI system to the readjustment system. The bill directs the Governor to set up procedures for early identification of UI recipients who are likely to need readjustment services. The Governor also must develop specific mechanisms that establish a connection between both systems early in the UI benefit period, and train and prepare UI and other staff in ways to make the linkages work effectively.

Mr. Chairman, I know that there have been a number of worker adjustment proposals introduced in the 100th Congress, including your bill, S. 490. I believe we are all trying to achieve the same results -- an effective worker readjustment policy. But I believe now is the time to replace the inequitable and inefficient approach of having several programs serving different segments of the dislocated worker population with a new more comprehensive approach. I believe the Administration has developed an excellent proposal. I am confident that we can work together for enactment of the Administration's worker readjustment proposal this year, and I look forward to a continuing dialogue with you and the members of this Committee.

This concludes my prepared statement. I would be pleased to answer any questions.

The CHAIRMAN. Let me ask the Trade Ambassador a question. I want to see this thing work. I want to see how we can make it work, and I understand the problems and the difficulties. Now, we have used the GSP at times against some of these countries to promote workers' rights.

I would like to know more about our experience in that. Have we seen some of these foreign governments react to our views and do some of the things we would like to see them do in improving workers' rights because of what we have done on GSP?

Ambassador SMITH. Mr. Chairman, the easy answer to that is, it is too early to say because we have just finished, in essence, the general review. And if I may say frankly, whatever changes occur in workers' rights by the foreign countries, they are not likely to say they did this because of GSP, even if they did because of GSP. They are not likely to say that that was the cause. No country likes to say that they did things because another country say if they didn't, they would do something to them.

But the issue here with the GSP is that we were asked—in terms of the GSP legislation—to look at—the law required us that countries must be found to be "taking steps" to afford internationally recognized workers' rights to their workers. In other words, the intent of the GSP legislation was to encourage countries to take steps to improve their practices.

And so, that is what we looked at. We looked at whether they were taking steps to improve their workers' rights processes and without getting into fine delineations, we made in some cases subjective judgments that they either were or they were not, if you will, "taking steps"—what the law envisions. That is different than what a 301 process would require, and if you want we can get into that later.

But in the GSP process, we didn't get bogged down into debates with countries over what an ILO convention required or didn't require. We took that approach, if you will, because the GSP benefits were given unilaterally by the United States and can be taken away unilaterally. There are no GATT obligations that we have. We are obliged under the GATT only in the sense that the GATT permits us to extend GSP; and when it permits us to give GSP, it doesn't require us to do this on an MFN basis. Quite to the contrary, its sanctions are on a preferential basis.

This is not what would happen under 301. Section 301 would, in our view, violate our GATT obligations.

Now, with regard to some of the countries under the GSP process, we have made some notes, and we would be pleased to provide these to the record. By the way, we are preparing a public record on how we arrived at decisions with regard to workers' rights during the general review. We apologize that we don't have it ready. It is just that the general review was such a huge process to begin with, that we simply ran out of time to do all the preparation of a formal report. A formal report is in preparation now for public scrutiny. You can see how we arrived at some of the decisions.

The CHAIRMAN. Let me say, Mr. Ambassador, that I am deeply concerned about the workers' rights provision and I am keenly interested in what the House did and what Senator Riegle is proposing. And this chairman is looking for ways to strengthen it that will work, that will be effective.

I think that that is a very laudible, meritorious objective for this piece of legislation. So, I will be interested in your comments, but my time has now expired.

The **Chairman**. I will now call on Senator Rockefeller. Let me read the early bird list again: Daschle, Danforth, Rockefeller, Durenberger, Moynihan, Roth, Chafee, Baucus, Riegle, Wallop, Matsunaga, Packwood, and Heinz. Now, Senator Rockefeller?

Senator **Rockefeller**. Thank you, Mr. Chairman. Under your proposal, there is a question in my mind as to how many workers might be assisted.

Secretary **Semerad**. Senator, our estimate is that there will be approximately 1.5 million dislocated workers next year. Our experience shows that 43 percent of the workers require some sort of assistance. The remainder move on and adjust on their own. We came up with the figure of 700,000 based on that experience.

Senator **Rockefeller**. Senator Heinz and I have introduced a bill which I feel very good about. We are proposing an aggressive effort that would cost quite a lot of money—not out of the general revenue fund—to try and help 25 percent of those who are dislocated, as opposed to the present five percent.

We had a hearing in Pittsburgh on Monday, and one of the interesting things that came out of it was the scope of those who need "basic skills"—20 percent of dislocated workers are functionally illiterate. The problem is that for those who need to first acquire basic skills and then enter training for a specific kind of job, you are probably talking about two years of time. Under TAA, extended income benefits are provided. On the other hand, under Title III of JTPA, this isn't income assistance—most dislocated workers can't connect imports to their layoffs. There are hundreds of thousands of these dislocated workers out there. It at least became clear to me, and I think to Senator Heinz as well, that if you upgrade people's basic educational skills, you also have to often carry that further through vocational training.

I don't think that your approach provides for this. I am not sure our approach ever allows for this as adequately as it should. Can you comment on that problem?

Secretary **Semerad**. Senator, I will be glad to. Our proposal linking Unemployment Insurance to the training through the worker adjustment program really will do several different kinds of things, and it will address the problem that you suggest. A worker who is laid off who signs up for training within the first 10 weeks will become eligible for continued income support while they are in training, which may last up to 104 weeks.

If they sign up in the first 10 weeks of their spell of unemployment, they can receive from the readjustment package weekly benefits equal to what they have received under Unemployment Insurance—while they are in training—plus things like transportation or child care assistance. The training services or even the remediation should be handled primarily through a voucher system, governed by the States, which would say: "Listen, you are going to need this kind of training, in whatever sequence." And the voucher that we have proposed does not have a dollar value because different kinds of training—and depending on the certified institutions in that community that a worker may get to—will have different costs.

So, that is not the key here. What is important is that the person can get into it. If under our scheme a worker decides he doesn't want to get into training—he is middle aged and doesn't want to go back to school and doesn't like that prospect—we issue a certificate—good for two years—right at the beginning. A person can come back into the system that we are proposing and indeed get the voucher for training, once they come to the realization they are going to need that.

However, the benefits—the income assistance, if you will—are not available to that person. We are trying to provide an incentive for people to say: "Okay, I have got to get on with it; and I have got to be retrained." And that period of time—two years—is the outside range in our experience of what people who are laid off actually take.

Senator ROCKEFELLER. One additional question for the record. Canada's example of "rapid response" seems to be crucial in all of this. You and I had talked some weeks ago on the telephone, and you are very aware of West Virginia's problems and have been very helpful with respect to some people who were laid off in July—they qualified for TAA, but then the assistance didn't start flowing—thanks to some good work that you did—until February. In those intervening five to six months or more, of course many people gave up, spiralled down, developed family problems, left the State. In order for assistance to laid off workers to be effective, it has to start almost immediately.

That is, the State and Federal assistance, working with labor and management, has to be there virtually the next day of the plant closing, and the workers who are in jeopardy need to know about that assistance. Is that accounted for in your proposal?

Secretary SEMERAD. Yes, Senator, I think it is. Under our plan, each governor is encouraged to set up a rapid response team. Clearly, the interventions that are available even today work much better if they have an advance kind of notification—the worker does and the community does—of what is coming. Now, without risking getting into the argument of mandatory versus voluntary notification, it is clear where we have experience in many States—where big companies have given notice—that it works better.

I think one of the concerns we have with TAA is that the certification process takes so long, even though we have gotten much better and shortened the time rather substantially. The fact is that we need to work with these workers to get whatever they need much more quickly. And ideally, if everybody was aware that something was coming, you could get in there before they are actually laid off and begin the adjustment process and whatever interventions the State determines are necessary for its workers.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Roth?

Senator ROTH. Thank you, Mr. Chairman. I would like to go back to the comments made by our chairman because I think he underscored a very important point, and apparently it is different from what some of you are saying and the Congress. That is the fact that we do have a special obligation to the workers that are impacted by liberal trade policy.

And I am bothered that the Administration still fails to see that difference because I think our capability of developing the kind of constructive trade policies that I think you want and we want depend in very large measure that we have an adequate trade adjustment program.

What bothers me—and I was glad to see you move toward a real training bill—in a very real way I just wonder if it isn't the same old thing under different clothing. Now, last year the Administration wanted to fold TAA into the Job Training Partnership Act. They wanted to eliminate additional unemployment compensation for workers and provide only retraining benefits. I think by unanimous vote we rejected that approach in this committee, as I recall—or it was very close to being unanimous. And the Congress certainly rejected the approach.

Now, this year, once again, you are proposing to abolish TAA and now JTPA, presumably to create a new job retraining program; but isn't this really just the same old proposal with another name and maybe some minor changes?

Secretary SEMERAD. Senator, I don't think so. I have been involved in the retraining efforts of this Government for 20 years, and I would say that this proposal is perhaps not perfect yet, but it is the best kind of intervention. The way it would be implemented would not only cover more workers, but there would be incentives for more rapid intervention. It would put more authority at the State and local levels. It would be more integrated with economic development of States. We think that it rationalizes and changes the focus of the employment service and the Unemployment Insurance system. It utilizes existing institutions in the community to deliver the training—whatever kind of training that is.

It does not get into problems of how much a voucher should be. It says if you go into training, we are going to support that. It provides an incentive for people to get into the retraining system. I think that Secretary Brock has made it very clear that our concern is to make sure that with workers in this very difficult situation that we all recognize—and we do our best to administer the laws that we have on the books today—we need to move people into the kinds of jobs that are going to be available. And if their dislocation is due to consumer preference, technological change, or trade, the fact is that people still need to change. And they are good workers; we need to get them back into the work force.

I don't agree with the contention that it is more of the same. We are trying to draw on the best of our experience under the Job Training Partnership Act. We are trying to draw on our experience, to assure that the income support assists the transition process. There is some indication that it now is quite to the contrary. And we would like to utilize what works in all of the interventions, get earlier involvement, and get workers moving more quickly.

Senator ROTH. I think we certainly agree as to the desirability of speed in getting people into retraining programs. Let me ask you this: What number of workers now receiving help under JTPA normally are getting benefits during the first 26 weeks?

Mr. JONES. Senator, you mean retraining benefits in what way?

Senator ROTH. Let me go back. In the press statement on the Administration's proposal, it indicates that the retraining benefits will be available to workers before they exhaust their State unemployment compensation; in other words, the first 26 weeks of unemployment. I question whether this is realistic. What percentage of workers now receiving help under JTPA get retraining benefits during the first 26 weeks?

Mr. JONES. Part of that proposal is designed because most workers who are receiving unemployment insurance benefits tend to run those benefits out before they join training and then are without a support system. That proposal was made and built into the legislation to encourage workers to come into the system during the first 10 weeks, to utilize those benefits; and then if they run out, those benefits would be continued under the Act until their retraining is completed.

Senator ROTH. For example, in our legislation we require retraining to get the other benefits. You don't have any similar incentive in yours?

Mr. JONES. Whether you go to an automatic requirement, Senator, frequently as you know, our experience has shown that an awful lot of people don't need specific retraining, and we tend to bring people into training to get benefits. We double the costs, and we don't necessarily help the people. There is a fine line to be drawn between encouraging early access but not bringing in people who might not otherwise——

Senator ROTH. My time is up. Thank you.

The CHAIRMAN. Senator Riegle?

Senator RIEGLE. Mr. Chairman, I am going to put most of my questions in the record for both witnesses so that we have some time for the next panel. I would just like to ask Mr. Smith a question. It is my understanding that in Taiwan if workers strike, that that is an offense in Taiwan for which one can receive the death penalty. Were you aware of that?

Mr. SHARK. Senator, we examined Taiwan fairly closely as part of the GSP general review; and to my knowledge, that is not correct.

Senator RIEGLE. Are you asserting to the committee that it is not correct? I mean, do you know for a cold fact that it is not correct? It is my understanding that it is correct. If I am wrong, I am prepared to accept your word for it; but if you are not sure, then I don't want you telling the committee you are sure.

Mr. SHARK. I am sure.

Senator RIEGLE. Is there any penalty or problem for persons organizing a strike in Taiwan?

Mr. SHARK. Sir, there are provisions—very strict provisions—under marshal law for any action that incites unrest.

Senator RIEGLE. Are there any unions in Taiwan?

Mr. SHARK. Yes. There are quite a number of them.

Senator RIEGLE. And people are freely able to organize unions in Taiwan?

Mr. SHARK. That is a difficult assessment to make. I think there are still problems in the organizational area. They do have a China free trade union association which is nationally based. When I was in Taiwan myself, I met with the head of their Postal Workers

Union. So, they are organized fairly broadly, but not to the extent that we are.

Senator **Riegle**. In the industrial area, are they organized?

Mr. **Shark**. They are organized but, again, not to the extent that we are.

Senator **Riegle**. And are they free to organize? Are these government organizations? Are these imposed organizations? Or are these freely formed organizations?

Mr. **Shark**. My understanding is that they are freely formed organizations.

Senator **Riegle**. My information is to the contrary. We will see if the next panel can provide any evidence to the contrary, and we will pursue it at that point. Thank you, Mr. Chairman.

The **Chairman**. Thank you, Senator.

Senator Chafee?

Senator **Chafee**. Mr. Chairman, just briefly, I would commend to everybody page 10 of Ambassador Smith's testimony. The questions seem to focus on what is happening in Taiwan, what is happening in Korea, those countries where we have a large trade deficit. But I think we have got to recognize that if this legislation as proposed passes, it will also apply to any country within the Soviet bloc and across the Soviet Union. If we are going to administer the legislation without any, as mentioned, gross double standard, these countries would be excluded from shipping goods to us. Never mind Korea or Taiwan; the whole Soviet bloc would be affected.

The retaliatory effect of that clearly would be they wouldn't buy our goods. Now, if everybody wants to start down that road, I think we had better recognize that it is a slippery one. I don't think we want people coming in here and saying: We are all for increasing our agricultural exports to the Soviet Union or shipping goods to China, with that marvelous big market there, but they are going to be excluded from sending goods to us. They would be if this legislation as proposed passes and if it is enforced in any kind of a legitimate fashion. We can't just concentrate on Korea and Taiwan if we pass legislation such as has been proposed. So, I would lend those thoughts. Thank you very much, Mr. Chairman.

The **Chairman**. Senator Heinz?

Senator **Heinz**. Thank you, Mr. Chairman. Mr. Semerad, there are two issues that I would like to go through rather quickly with you. One is the existing Trade Adjustment Assistance Program. We have some problems with it; maybe we can learn something about that. And second, if we have time, some of the issues that you have touched on in your expanded version of Title III of JTPA, as I will refer to it.

First, I have mentioned that there are workers who, since April 7, 1986, have lost their eligibility, in spite of the language of COBRA, where it expanded from 52 to 104 weeks the eligibility period. And yet, there are people who lost their jobs on April 6 who have been denied. Do you contend that COBRA is unclear as to what we intended?

Secretary **Semerad**. I can't say with certainty what you intended, but clearly the problem of those workers is real. It ordinarily occurs when they are——

Senator HEINZ. Let me tell you what I think COBRA said, and tell me what you think it says.

Secretary SEMERAD. All right.

Senator HEINZ. I think it says—the conference report— that the standard eligibility period should apply to any worker who was within 104 weeks of his qualifying separation date, as of April 7, 1986.

Secretary SEMERAD. I would agree that that is what it says.

Senator HEINZ. Why are we denying workers then?

Secretary SEMERAD. I think the situation you described ordinarily occurs when a worker has been certified—laid off and then certified—and then has gone back to work for a certain period of time; that the certification and the eligibility——

Senator HEINZ. I understand all about that. That is another issue. That is the person who was laid off for three weeks in 1982 and, you know, we catch them through a loophole that said, my goodness, you were laid off for two or three weeks and had some unemployment compensation back in those days. Your 104 week period has run; tough luck—you know, you are not only out of work, you are out of luck. Is that right? Is that a good principle?

Secretary SEMERAD. If they are recertified in the second spell, then they are eligible.

Senator HEINZ. Yes, but they can't be recertified because you won't recertify somebody who lost their jobs; they lose their eligibility. You can't say you are going to recertify them because it is meaningless. They are not eligible under your rules.

Secretary SEMERAD. That is not my understanding, Senator.

Senator HEINZ. Please look into that. I hope that you can stick around and listen to Barney Oursler, who will tell you the way it really is in the trenches. Maybe in spite of the fact that I have written and called, you are not aware of that problem. Let me move on.

The program is out of money. $30 million dollars for training was exhausted the beginning of last week. Is the Administration seeking money to continue people in training?

Secretary Semerad; It is not, Senator. Training monies are available——

Senator HEINZ. How can you come up here and say we are here to help and then say: But we don't want anybody who is certified, who is eligible, who is in the midst of a training program—we don't want them to continue training under Trade Adjustment Assistance?

Secretary SEMERAD. Senator, that is not what we are saying. What we are saying is there are sufficient funds in other parts of JTPA to cover those workers and also there are surpluses even in TAA around the country which, unfortunately, we are unable to reallocate. So, there are injustices in the system. We have got States with surpluses in TAA and States that desperately need it. We can't adjust the money now.

Senator HEINZ. And therefore, the answer to that is: Tough luck, for the people who cannot get into their training programs?

Secretary SEMERAD. We think we have proposed a program that covers those workers even better and more generously than TAA.

Senator **Heinz**. It is not on the books yet. I am talking about this year, not next year.

Secretary **Semerad**. I think that it is unlikely given budget constraints.

Senator **Heinz**. These people are out of work and untrained.

Secretary **Semerad**. Yes.

Senator **Heinz**. And you are saying wait until next year. They are eligible for programs; there is just no money.

Secretary **Semerad**. There may not be money—discretionary money—in the training accounts, but there is plenty of money in Title III.

Senator **Heinz**. I am a Senator, and I have a problem in my State. My problem is that I have a lot of people who went down to the State Bureau of Employment Security last week, asking for training assistance; and they were told: I am sorry; we are out of money. Now, you are saying to me: Senator, don't worry; there is really money someplace else.

Secretary **Semerad**. I know that there is money in the State of Pennsylvania, in the Title III account; and I can't be held responsible for what these people are told.

Senator **Heinz**. These are people who are eligible for Trade Adjustment Assistance. Now, there is a big difference between Title III and Trade Adustment Assistance. Title III money, which has been cut by 50 percent—from 1985 to 1986, from $220 to $120—right?—has a variety of different stipulations. You can't have a stipend for one thing. There are some very serious problems with that program. You are saying we want to change that program by cutting the money off; that is what you are really saying.

Secretary **Semerad**. But as we talk, all I am saying is that there are funds available, and these people are eligible for those funds that are available in the State today, as we talk. So, it is not a matter of——

Senator **Heinz**. But they are not eligible for what we promised them they would be eligible for because there is no money. Is that true or not?

Secretary **Semerad**. There is no money left for training.

Senator **Heinz**. And you are saying that they can enroll in a different program. Is that what you are saying?

Secretary **Semerad**. And I am saying that the——

Senator **Heinz**. And get different training?

Secretary **Semerad**. No, they get the same training.

Mr. **Jones**. They get the same training.

Senator **Heinz**. You understand why it is different, don't you? There is no stipend available under JTPA and if——

Mr. **Jones**. Senator, let's distinguish here. The unemployment insurance benefits for the trade people are continuing. Job search is continuing. The only thing we are short of is money for specific training. We are only talking about the funding of the training.

Secretary **Semerad**. In TAA.

Mr. **Jones**. In TAA. That is all.

Senator **Heinz**. I think we had better look into this later. My time appears to have expired. I have some more questions.

Secretary **Semerad**. I would be glad to respond to those directly, Senator.

Senator RIEGLE. Senator Packwood has some questions for the Department of Labor which he will make available to you.

[The questions of Senator Packwood and Secretary Semerad's answers follow:]

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS PROGRAM

Questions from Senator Robert Packwood

Question 1. I understand from the Oregon Department of Human Services that there have been problems with the U. S. Department of Labor's (DOL) handling of the funding for the portion of the trade adjustment assistance (TAA) program dealing with training, job search, and relocation allowances. I understand that the process has worked fairly well in the past, but Oregon now is in a dilemma because the number of petitions filed and certified has grown substantially.

As examples of Oregon's experiences with DOL:

a. On December 11, 1986, DOL issued instructions to Oregon not to submit any more request for TAA funding.

b. On December 17, DOL rescinded these instructions.

c. On January 14, 1987, Oregon submitted a funding request with appropriate justification.

d. In February, Oregon was instructed by DOL's Seattle regional office to resubmit the request with additional justification because DOL had decided to become stricter in its requirements. Oregon resubmitted the request on February 13 and has recently been informed verbally that DOL will fund somewhat less than one-third of its $911,000 funding request.

Are Oregon's experiences typical of your Department's administration of this program? What can we do to improve this situation?

Answer. The Department, confronted with sharply rising State requests for training funds out of a limited TAA program funds account, implemented new review procedures to assure that all States used available funds to serve trade impacted workers, including unused TAA program funds from prior years and Job Training Partnership Act (JTPA) program funds. The Department is administering the program to assure that all State requests for job search and relocation allowances will be fully funded. Secretary Brock's March 17, 1987 letter explained the current status of TAA program funds for Fiscal Year (FY) 1987. The increased demand for TAA program funds is related in part to amendments to the adjustment assistance provisions of the Trade Act in the Consolidated Omnibus Budget Reconciliation Act of 1985 which placed greater emphasis on training and to the increased number of workers certified for adjustment assistance.

The Department instructed State agencies to provide job search and relocation services, which are entitlement services, to all qualified applicants who apply for these services. Four million dollars of available TAA program funds has been reserved to ensure that job search and relocation services can be funded fully through the end of the year. Worker applications for training, according to the statute, shall be approved by the State agency to the extent appropriated funds are available in the State. Since December, State requests for costs of worker training have been funded at a level lower than the request.

Because of this situation, State requests for new program funds are being reviewed to ensure that all prior funds allocated to the State have been obligated and that new program funds will be obligated within a short period. Our goal is to avoid substantial unobligated program funds in some States while unfunded worker needs exist in others.

The issue raised by the State agency concerns inadequate funds to satisfy worker needs for training. The Department believes this situation can be improved by having Oregon and other States use funds available under the dislocated worker program in Title III of JTPA as another resource to train workers adversely affected because of increased imports.

Question 2. In a March 17 letter, Secretary of Labor Bill Brock told me that the Department is experiencing a "dramatic increase" in state requests for TAA training, job search, and relocation funds. He went on to state, however, that DOL does not believe an additional appropriation for TAA training is necessary because states are being encouraged to examine the use of Job Training Partnership Act Title III funds.

I understand from the Oregon Department of Human Resources, however, that Oregon is having difficulty securing funds from DOL to provide TAA services to eligible Oregonians. In fact, Oregon has run out of funds to provide services to a large number of certified workers. How do you reconcile DOL's position on further funding with Oregon's situation?

Answer. As explained in my answer to the previous question, adequate TAA program funds are available for the costs of job search and relocation allowances through the end of the fiscal year. The issue is adequate funds to satisfy worker needs for training in new occupational skills. At the beginning of Program Year (PY) 1986 States reported high amounts of carryover in the Title III program. In addition to the carryover, new PY 1986 JTPA Title III program funds were allocated to States. We believe there are adequate funds still available in most States to provide training services to trade impacted worker. Further, new appropriated JTPA program funds will be available for allocation to States on July 1, 1987.

Senator RIEGLE. Senator Chafee, did you have something additional?

Senator CHAFEE. No, Mr. Chairman.

Senator RIEGLE. Thank you. I want to thank the panel. We will have other questions from other members.

Let us now ask Mr. Howard Samuel, Mr. Lynn Williams, Mr. Barney Oursler, Ms. Holly Burkhalter, and Mr. Pharis Harvey to come to the witness table.

In the interest of time, can we ask those that are leaving to do so, and those who need seats to find them, so that our witnesses can be accommodated?

Mr. Samuel, let us begin with you. You are the President of the Industrial Union Department of the AFL–CIO. We have heard from you a number of times, and it has always been important and enlightening testimony; and so, we will be pleased to hear from you at this time.

STATEMENT OF HOWARD D. SAMUEL, PRESIDENT, INDUSTRIAL UNION DEPARTMENT, AFL-CIO, WASHINGTON, DC

Mr. SAMUEL. Thank you, Mr. Chairman. I am pleased to be able to testify today on behalf of the entire AFL–CIO in support of a strong provision making violations of internationally recognized workers' rights an actionable unfair trade practice in the trade bill currently being considered by the Senate.

As I think you are aware, the issue of workers' rights in international trade is not a new one. It has been obvious for decades that labor standards have a major impact on the ability of nations to compete internationally. The International Labor Organization, which exists at least in part in recognition of the linkage between working conditions and trade, is close to 70 years old. But the ILO, for all its good efforts and moral suasion it has dedicated to the objective of raising labor standards does not have the power to enforce their implementation.

It is for this reason that the Congress and the President of the United States agreed in 1983 that labor standards should be incorporated in the Caribbean Basin Initiative, in 1984 in the reauthorization of our generalized preferences, and in 1985 in the reauthorization of the Overseas Private Investment Corporation. It is for this same reason that the United States Government in 1980 and again in 1986 took the issue of international labor standards to the GATT in an effort to place it on the agenda for consideration by the world trading community. We failed on both occasions; so except for the limited areas included in the CBI, GSP, and OPIC statutes, we are still left basically only with the good intentions of the ILO.

I am confident that I speak not only for the AFL–CIO, but also for the vast majority of all Americans, when I suggest to you that it is past due for this country to do more. We are no longer willing to sacrifice the hard-won working and living standards that have required years to achieve and help make this nation the wealthiest in the world on the alter of foreign exploitation.

We already have international codes guarding against direct subsidies to exports. The United States and many of our trading partners agree that direct subsidies distort the trading market and, if they are allowed to spiral upwards, could impoverish whole populations.

It is clear to us that foreign exploitation of workers is in effect the cruelest subsidy of all. A government that permits the exploitation of workers is providing a subsidy to its exporters of greater value than anything else it could devise. In the absence of international response to this challenge, it is up to the United States to take the leadership in removing these subsidies by establishing sanctions against the most blatant exploitation of workers.

Is the American labor movement trying to impose its own standards on the rest of the world? Of course not. We recognize that the less developed nations and even the newly industrialized nations may not have reached the state of development to be able to afford the kinds of standards and conditions that developed nations have taken for granted.

But is there any reason even the least industrialized nations cannot allow their workers to form unions and bargain collectively, or establish elementary child labor laws and minimum wage and maximum hour standards, or give some degree of protection to their workers against occupational accidents and disease?

We refer to basic standards accepted by the 150 members of the ILO and incorporated in a number of ILO conventions, passed with the votes of developed and less developed nations alike. A few opponents object to the linkage of trade and labor standards. Let me remind the committee that the nations of the world recognized the linkage when they wrote the Havana Charter, the document which eventually gave birth to the GATT in 1948; and even in the preamble to the GATT itself, that linkage is recognized.

In the United States, we recognized that linkage as long ago as 1890, when a tariff act of that year banned imports made by convict labor. In 1930, we prohibited imports made by forced labor. There is a linkage, and that linkage must be recognized. The purpose of international trade rules is not merely to facilitate exchange among nations, but to assure that trade is of benefit to both parties to the process, the buyer and seller alike.

When the process is corrupted by worker exploitation, both parties suffer. The workers in the exporting country are deprived of their rights as human beings, and the workers in the importing countries lose their jobs. Are we merely trying to build a wall of protection against our less developed of the trading partners? That is not the purpose of this provision, nor will it be the result. The consequences of the CBI Act of 1983 demonstrate what is likely to occur.

As a result of that law, the Dominican Republic took steps to end forced labor in its sugar plantations; the Guatemalan government was required to give legal status to its labor federation; and Haiti made major changes to allow and propose the establishment of trade unions.

I urge the members of this committee to give favorable consideration to S. 498, the Internationally Recognized Worker Rights Bill, introduced by Senator Riegle, and I gather also introduced now by Senator Heinz, and the changes suggested by Representative Pease. I attach a summary of the bill along with this statement, and with excerpts from an article giving historical background of workers' rights legislation, written by Steve Charnovitz, which appeared in SAIS Review/ Johns Hopkins University, Winter-Spring 1987.

It is an ironic commentary that, based on international agreements and Federal law, we have made it possible to protect endangered plants and animals from the destructive effects of international trade. I ask this Congress to give the same consideration to another endangered species--the American worker.

Senator RIEGLE. Thank you, Mr. Samuel. Now, we will hear from Mr. Lynn Williams, who is the President of the United Steelworkers of America. We have had you here before, too, and we are very pleased to have you here today.

[The prepared written statement of Mr. Samuel follows:]

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STATEMENT OF THE AFL-CIO, PRESENTED BY HOWARD SAMUEL, PRESIDENT OF THE INDUSTRIAL UNION DEPARTMENT, AFL-CIO BEFORE THE SENATE COMMITTEE ON FINANCE ON WORKERS RIGHTS AND TRADE ASSISTANCE

March 18, 1987

My name is Howard Samuel, president of the Industrial Union Department, AFL-CIO. I am pleased to be able to testify on behalf of the entire AFL-CIO in support of a strong provision making violations of internationally recognized workers rights an actionable unfair trade practice in the trade bill currently being considered by the Senate.

As I think you are aware, the issue of worker rights and international trade is not a new one. It has been obvious for decades - even centuries - that labor standards have a major impact on the ability of nations to compete internationally.

The International Labor Organization, which exists at least in part in recognition of the linkage between working conditions and trade, is close to 70 years old. But the ILO, for all the good efforts of moral suasion it has dedicated to the objective of raising labor standards, does not have the power to enforce their implementation.

It is for this reason that the United States Congress, and the President of the United States, agreed in 1983 that labor standards should be incorporated in the Caribbean Basin Initiative, and in 1984 in the reauthorization of our Generalized System of Preferences, and in 1985 in the reauthorization of the Overseas Private Investment Corporation.

It is for this same reason that the United States government in 1980 and again in 1986 took the issue of international labor standards to the GATT, in an effort to place it on the agenda for consideration by the world trading community.

We failed on both occasions, so except for the limited areas included in the CBI, GSP and OPIC statutes, we are still left basically with the good intentions of the ILO.

I am confident I speak not only for the AFL-CIO but also for the vast majority of all Americans when I suggest to you that it is past due for this country to do more. We are no longer willing to sacrifice the hard-won working and living standards that required years to achieve - and helped make this nation the wealthiest in the world-on the altar of foreign exploitation.

We already have international codes guarding against direct subsidies to exports. The United States and many of our trading partners agree that direct subsidies distort the trading market and, if they are allowed to spiral upwards, could impoverish whole populations.

It is clear to us that foreign exploitation of workers is in effect the cruelest subsidy of all. A government that permits the exploitation of workers is providing a subsidy to its exporters of greater value than anything else it could devise. In the absence of an international response to this challenge, it is up to the United States to take the leadership in removing these subsidies, by establishing sanctions against the most blatant exploitation of workers.

Is the American labor movement trying to impose its own standards on the rest of the world? Of course not. We recognize that less developed nations, and even the newly industrialized nations, may not have reached the state of development to be able to afford the kinds of standards and conditions that developed nations have taken for granted. But is there any reason even the least industrialized nations cannot allow their workers to form unions and bargain collectively, or establish elementary child labor laws and minimum wage and maximum hour standards, or give some degree of protection to their workers against occupational accidents and disease?

We refer to basic standards accepted by the 150 members of the ILO and incorporated in a number of ILO conventions - passed with the votes of developed and less developed nations alike.

A few opponents object to the linkage of trade and labor standards. Let me remind the committee that the nations of the world recognized the linkage when they wrote the Havana Charter, the document which eventually gave birth to the GATT in 1948. And even in the preamble to GATT that linkage is recognized.

In the United States we recognized that linkage as long ago as 1890, when a tariff act of that year banned imports made by convict labor. In 1930 we prohibited imports made by forced labör.

There is a linkage, and that linkage must be recognized. The purpose of international trade rules is not merely to facilitate exchange among nations, but to assure that trade is of benefit to both parties to the process, buyer and seller alike.

When the process is corrupted by worker exploitation, both parties suffer. The workers in the exporting country are deprived of their rights as human beings; the workers in the importing country lose their jobs.

The tragedy is that worker exploitation acts like Gresham's Law - "bad money drives out the good." Exploitation of labor drives down decent standards. We have already felt the effect in the United States, where in large part because of the impact of lower standards in a number of our trading partners, our own standard of living has been declining for more than 10 years.

Is this what we should want and expect from international trade - the lowering of our standard of living? The answer, obviously, is no.

Are we merely trying to build a wall of protection against the less developed of our trading partners? That is not the purpose of this provision, nor will it be the result. The consequences of the CBI Act of 1983 demonstrate what is likely to occur. As a result of that law, the Dominican Republic took steps to end forced labor in its sugar plantations; the Guatemalan government was required to give legal status to its labor federation; and Haiti made major changes to allow and promote the establishment of trade unions.

I submit these examples, of a limited earlier piece of legislation, to symbolize the potential of a labor rights provision in what will become the Trade Act of 1987.

I urge the members of this Committee to give favorable consideration to S. 498, the Internationally Recognized Worker Rights Bill, introduced by Senator Donald W. Riegle and the changes suggested by Representative Pease. I attach a summary of the bill to this statement, along with excerpts from an article giving the historical background of workers rights legislation, written by Steve Charnovitz, which appeared in SAIS Review/Johns Hopkins University, Winter-Spring 1987.

It is an ironic commentary that based on international agreements and federal law, we have made it possible to protect endangered plants and animals from the destructive effects of international trade. I ask this Congress to give the same consideration to another endangered species - the American worker.

INTERNATIONALLY RECOGNIZED WORKER RIGHTS BILL

S. 498

The legislation would amend Section 301 of the Trade Act of 1974 to define as an unfair trade practice, the denial of internationally recognized worker rights.

It would also make the issue a negotiating objective in the new GATT round by seeking adoption of an article of the GATT declaring that denial of such rights is an unjustifiable means for a country or any of its industries to gain competitive advantage in international trade.

The rights include:

- The right of association
- The right to organize and bargain collectively
- The prohibition of use of any form of forced or compulsory labor
- A minimum age for the employment of children
- Acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health

This legislation does not attempt to impose U.S. minimum wage standards or Occupational Safety and Health standards on other countries, but rather seeks a recognition that an acceptable standard for a particular country should be imposed.

These rights are used as standards by the U.S. in determining a country's eligibility for the Generalized System of Preferences.

INTERNATIONAL TRADE AND WORKER RIGHTS

Steve Charnovitz

LINKING WORKER RIGHTS TO INTERNATIONAL TRADE is not a new idea. Its roots stretch back into the nineteenth century in both Europe and the United States. The earliest congressional attention to the issue came in 1890, when the McKinley Tariff prohibited imports manufactured by convict labor. Despite this long history, the rapid reemergence of worker rights as an issue in U.S. trade policy in the last few years has surprised trade and labor experts alike. Consider how quickly events have moved. Since 1983 the U.S. government has applied a labor standard to four trade or investment laws: in 1983, to the Caribbean Basin Initiative (CBI); in 1984, to the Generalized System of Preferences (GSP); in 1985, to the Anti-Apartheid sanctions against South Africa and to the operations of the Overseas Private Investment Corporation (OPIC). In 1986, the U.S. House of Representatives passed the Trade and International Economic Policy Reform Act (H.R. 4800), which would make the denial of "internationally recognized worker rights" by foreign governments an unfair trade practice subject to possible U.S. countermeasures.[1]

Used in the context of international trade, the term "worker rights" is of recent vintage. In the nineteenth century the issue of unfair competition stemming from the poor conditions of foreign employment was known as the "pauper labor" problem. At the World Economic Conference of 1927 this export practice was termed "social dumping." When the Charter of the International Trade Organization was completed in 1948 under United Nations auspices, it included a special article under the rubric of "Fair Labor Standards."

Although the transformation of the longtime concern about foreign working conditions into an assertion that all workers possess certain "rights" is a decidedly contemporary approach, the ideals invoked by these different terms have remained fairly constant over the years. Basically, there are two motivations behind worker rights. One is the argument that domestic workers should not have to compete against foreign goods produced by coerced or sweated labor. The other is the belief that improving conditions of labor will advance social justice. While the emphasis placed on these motivations by worker rights advocates has shifted over the years, both ideals have always been present.

[1] H.R. 4800, 99th Cong., 2d sess., 22 May 1986, Section 112 (5).

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WHY HAS THE ISSUE OF WORKER RIGHTS suddenly achieved such prominence in U.S. trade policy? Mainly because worker rights stands at the nexus of two very important issues—unfair trade and human rights. First the trade problem: The mushrooming trade deficits of the mid-1980s and the concomitant increase in U.S. industrial unemployment have necessitated an examination of the factors that give foreign countries their competitive edge. One obvious factor is that many of these countries have the advantage of very low labor costs, often less than 15 percent of U.S. wages. While lower labor costs established by a free market might be viewed as a legitimate comparative advantage, some of these foreign wages are, in reality, set by government policies that ban unions or otherwise inhibit workers from seeking a just wage. Moreover, while U.S. manufacturers are bound by certain minimum standards for child labor and employee hours, foreign competitors are sometimes free to extract whatever toil they can from whoever will provide it.

Unfair or repressive labor laws can thus confer real benefits to foreign producers. Implicit subsidies in the form of unfair labor standards can make exports as artificially advantageous as do explicit subsidies, such as low-interest loans or export rebates. Yet while these subsidies are punishable under U.S. trade law through the imposition of countervailing duties, labor subsidies are not. Conversely, the suppression of local labor costs can effectively protect the domestic market by making home goods artificially cheap. Repressive labor laws can thus serve as a type of non-tariff barrier.

The other impetus to worker rights has come through the increased attention to human rights in making foreign policy. Trade unions are important in this regard because they are an indigenous, usually constructive force in favor of peaceful political change. For example, many national independence movements, particularly in the British colonies, were led by labor leaders. But in the past several years, something very significant has happened. Unions have become potent agents of democratization in nations governed by authoritarian regimes . . . .

THE HISTORY OF INTERNATIONAL LABOR STANDARDS began in 1788 when French statesman Jacques Necker warned that Sunday rest could not be maintained unless all nations observed it.[2] Necker proved to be right. Sunday work—as well as long working days, child labor, and unsafe workplace conditions—became common during the Industrial Revolution.

The high-water mark of international concern about worker rights came at the 1919 Paris peace conference. One part of the Treaty of Versailles established the International Labor Organization (ILO) and proclaimed a list of worker rights known as "Labor's Magna Charta." Given the current weakness of organized-labor, it is hard to imagine a time when the world powers would have endorsed such radical notions as the right of association, a wage "adequate to maintain a reasonable standard of life," an eight-hour day, and the principle that "men and women should receive equal remuneration for work of equal value."[3]

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[2] Jacques Necker, *Of the Importance of Religious Opinions* (Boston, Mass.: Thomas Hall, 1796), 112.

Yet 1919 was such a time. At the end of World War I and in the wake of the Bolshevik Revolution there was a legitimate fear among the Allied governments that the returning soldiers might follow the sirens of communism unless they received something tangible from the peace. As president Woodrow Wilson explained to an American audience, "The profound unrest in Europe is due to the doubt prevailing as to what shall be the conditions of labor, and I need not tell you that that unrest is spreading to America."[4]

The fruit of the treaty for labor was the creation of the ILO. Now part of the UN system, the ILO has a unique tripartite membership consisting of employer, worker, and government delegates. Each nation receives four votes, two for the government, one for employers, and one for workers. The votes can be cast separately. At present, 150 nations belong to the ILO. The most important nonmember nations are Hong Kong, North and South Korea, South Africa, and Taiwan.

Following World War II, the worker rights issue resurfaced in the negotiations on a new regime for world trade. The charter for the proposed International Trade Organization acknowledged that "unfair labor conditions, particularly in export, [can] create difficulties in international trade."[5] The representatives at the UN conference were, however, unable to agree upon any solution . . . .

THE FIRST OF THE RECENT STEPS IN SUPPORT OF WORKER RIGHTS occurred in late 1982 after the Polish government banned the Solidarity union movement. On the following day President Reagan sharply criticized the Polish government, stating that "they have made it clear that they never had any intention of restoring one of the most elemental human rights—the right to belong to a free trade union."[8] As a response to the

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3. Treaty of Versailles, Part XIII, Section II, Article 427.
4. "Addresses of President Wilson," U.S. Senate, 66th Cong., 1st sess., document number 120, 61.

8. *Public Papers of the Presidents*, Ronald W. Reagan, 1982, 1290.

crackdown, the United States withdrew its most-favored-nation treatment of Polish exports, thereby increasing the duties on these goods.

When Congress passed the CBI in mid-1983, it linked favorable tariff treatment of exports from the nations included to the observance of worker rights. Before granting duty-free benefits, the president was charged with reviewing eighteen criteria for entry, some of which were mandatory and the rest discretionary. The labor criterion is discretionary and asks the degree to which workers in each nation are afforded "reasonable workplace conditions" and enjoy the "right to organize and bargain collectively."[9]

Within five months the administration had reviewed the twenty-seven potentially eligible countries and completed negotiations with the twenty countries that asked to be included. In countries where there were no worker rights problems, for example, Costa Rica, the discussion of labor was perfunctory. But in the seven countries with serious violations of worker rights—the Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, and Panama—the U.S. negotiators sought commitments for reform. Three countries with a history of denying worker rights—Guyana, Nicaragua, and Suriname—chose not to apply.

The CBI negotiations dealt with a variety of labor problems. In the Dominican Republic, for example, there had been continuing allegations of "forced labor" on sugar plantations. As a result of the CBI talks, the Dominican government agreed to use its national police to make sure that plantations were not holding workers against their will; in El Salvador, where several union leaders had been murdered, the government promised to set up a new organization to investigate these crimes; in Guatemala, where the new Confederation of Labor Unity had failed to receive government recognition, the United States insisted that the confederation be granted full legal status. The U.S. agencies also looked into allegations that some of the export processing zones in the Caribbean region banned unions. The Honduran government, for example, agreed to investigate charges that one company had obligated its employees to sign a contract that forbade them to join a union.

The most significant achievements of the CBI negotiations, however, were the reforms obtained in Haiti. From the U.S. perspective the timing was propitious; Haiti keenly wanted to qualify for the CBI in order to attract more investment. Furthermore, Haiti was undergoing a period of political liberalization to undo some of the increased repression that had begun in late 1980. Even with this apparent leverage, however, the magnitude of the concessions wrung from Haiti astonished many close observers of Haitian politics. The most important concessions were:

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[9] Caribbean Basin Recovery Act (P.L. 96-67), Title II Section 212 (c) (B).

(1) the amendment of the Haitian Labor Code provisions that impeded the free operation of unions, (2) an agreement to use a weekly radio show to explain the Labor Code's protections to illiterate workers, and (3) an official notice advising the unions that they could form federations and affiliate with international trade union organizations.

Soon after these agreements were concluded, the nine timid Haitian trade unions established the independent Federation of Union Workers under the leadership of President Joseph Senat. Although the unions acted cautiously during the uprisings that led to the departure of the Duvalier family, they did call numerous strikes that, together with business shutdowns, severely disrupted the economy. In mid-January 1986 a Haitian official attempted unsuccessfully to bribe Senat to sign a newspaper endorsement of Duvalier. When the government printed the endorsement without Senat's permission, he sent a protest that was aired on the Catholic radio station. By late 1986 the federation had increased to fifteen unions, which have become a growing force in a country without a tradition of political pluralism.

In 1984 Congress made worker rights a new condition for developing countries seeking to receive duty-free benefits under GSP. This new condition is tougher than the discretionary eligibility criteria for CBI in that it is mandatory and in that the GSP law specifically lists the "internationally recognized worker rights" toward which a country must be "taking steps."[10] These rights include: (1) freedom of association, (2) freedom to organize and bargain collectively, (3) the prohibition of forced labor, (4) a minimum age for child labor, and (5) "acceptable" conditions of work with respect to minimum wages, hours, and occupational safety and health. The 1985 OPIC law is similar to the GSP law in that it makes OPIC insurance and guarantees conditional upon whether a country is taking steps to adopt or implement laws that grant these five rights. No decisions regarding GSP or OPIC eligibility are expected until the end of 1986 . . . .

WHAT ARE "INTERNATIONALLY RECOGNIZED" WORKER RIGHTS? Although the GSP legislation lists five specific worker rights, the Congress has not elaborated on their interpretation except to make clear that they do not mean the same working conditions prevailing in the United States. The term "internationally recognized" is derived from past foreign aid legislation, which conditions U.S. assistance on whether countries have violated "internationally recognized human rights." As with worker rights, this human rights standard is not precisely defined by its legislative history.

Of course, the only reason why the issue of worker rights has come up is that there is no universal agreement upon its definition. If all countries recognized and adhered to the same set of rights, there would be no international labor problem. Thus, in searching for the meaning of worker rights, one needs to look for standards that have been affirmed by a community of nations, but not necessarily by every nation. Moreover, the correct test is not what standards these nations currently follow, but rather what standards they seek to attain.

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[10] Tariff and Trade Act of 1984 (P.L. 98-573), Section 503.

If there is any community of nations with the competence to proclaim a universal worker right, it has to be the ILO. Since 1919 the ILO has enacted many comprehensive conventions ranging from number 1, "Hours of Work" to number 162, "Safety in the Use of Asbestos" (passed in 1986). Each convention receives years of deliberation and a two-thirds vote before approval. ILO conventions become international obligations only for the governments that ratify them. While the U.S. government has voted for most conventions, only seven have become treaties through Senate approval.

While many of the opponents of worker rights point to the United States' poor ratification record to suggest that ILO conventions fall short of international recognition, this argument misses the rationale behind the current initiatives. Their aim is not to persuade other nations to ratify ILO conventions but rather to encourage them to comply with the standards they contain. The Soviet Union, for example, though a signatory to forty-three conventions, including freedom of association, has clearly failed to provide basic worker freedoms. The United States, on the other hand, has ratified very few conventions but certainly lives up to the ILO's standards in almost all areas.

In promulgating the first *International Labour Code* in 1939, the ILO explained that it was "not primarily a code of international obligations, but a code of internationally approved standards."[12] The ILO has been quite successful in getting these standards adopted far beyond the number of ratifications obtained. Indeed, this success was recognized in 1969 when the ILO was awarded the Nobel Peace Prize. . . .

It is ironic how opponents have denigrated the concept of international labor rules while putting international trade rules on a pedestal. The United States joined the ILO and accepted its constitution pursuant to statutory authorization by the Congress. By contrast, the U.S. entry into the General Agreement on Tariffs and Trade (GATT) was the result of a mere executive agreement in which the United States, like other nations, agreed to apply the GATT only "provisionally." When labor complaints are brought to the ILO they are usually discussed with reference to the conventions and years of precedents. While GATT sometimes proceeds in this manner, it is much more prone to rewrite the rules in politically difficult cases through the granting of waivers. Of course, there are disputes in interpreting ILO conventions, but no more so than in interpreting GATT articles.

[12] *The International Labour Code* (Montreal: ILO, 1939), xii.

The closest thing to an official U.S. definition of worker rights is found in the *Country Reports on Human Rights Practices* prepared by the State Department. Although the State Department's definition generally conforms to ILO conventions, the report adopts the stronger protection for minimum wages found in the UN International Covenant on Economic, Social, and Cultural Rights. According to the State Department, foreign wages should "provide a decent standard of living for the workers and their families . . . ."[13]

The most fundamental worker right is freedom of association. This right, however, is also the most difficult to apply because it cannot be met by any communist country and is unlikely to be met by any nondemocratic one. In drafting both the GSP and OPIC provisions, the Congress recognized the limits of worker rights conditionality by providing for a presidential waiver in cases of national economic interest. While this waiver offers the needed flexibility for a bilateral system, it raises the question of how a multilateral system could hope to deal with vital trade from countries that do not respect worker rights but that supply essential commodities.

Another question that arises with respect to freedom of association is what to do about brutal attacks on union leaders when such acts are part of a more general pattern of repression. In other words, in a country with very serious human-rights abuses, it is debatable whether labor violations should be singled out for conditionality. Undoubtedly, worker rights negotiations would proceed more amicably if they could be limited to technical matters, such as labor-management disputes. But there is little point in niggling over an issue like union recognition in talks with officials of a ruthless government that shoots outspoken labor leaders along with other political foes.

THE LAST ISSUE TO BE EXPLORED IS HOW WORKER RIGHTS might influence U.S. trade policy. As with all unfair trade practices, the denial of worker rights undercuts the mutual benefits of trade. Secretary of Labor William E. Brock explained this connection when he told the 1986 ILO Annual Conference,

> I must say, those countries which are flooding world markets with goods made by children, or by workers who can't form free trade unions or bargain collectively, or who are denied even the most minimum standards of safety and health—those countries are doing more harm to the principle of free and fair trade than any protectionist groups I can think of.[14]

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[13] *Country Reports on Human Rights Practices* (Washington, D.C.: Government Printing Office, 1986), 1451.

[14] U.S. Department of Labor, Office of Information and Public Affairs, June 1986.

An aggressive stance on worker rights abuses could reduce public opposition to imports by clarifying the distinction between fair and unfair factors in foreign competitiveness. Foreign products that are cheaper because of the low wages inherent to underdevelopment are fairly traded goods. Foreign products that are cheaper due to government policies exploiting workers are unfairly traded, however, and should be kept from entering the international trading system.

Exploitative policies can be acts of commission or omission. For example, the government of Malaysia does not permit workers in free-trade zones producing for export to join unions. These prohibitions form part of a series of guarantees made to attract foreign investors. Since the rest of the Malaysian labor force can form unions, the privileges granted to the free zones are clearly a hidden export subsidy. The case of omission occurs when a government fails to take certain actions, such as neglecting to protect workers from exposure to toxic substances. Assuming that a nonlethal occupational environment is a "right" of workers, countries have a positive obligation to see that minimum standards are met. A Third World government that solicits foreign investment by advertising its lack of safety standards violates worker rights in a way that a government that advertises its low wages does not.

While a greater focus on worker rights has the potential for reducing protectionism, poor implementation of the new programs could be counterproductive. This might happen in two ways. First, an American approach that emphasizes punitive measures over incentives for the expansion of worker rights would simply result in higher trade barriers. If the developing countries see worker rights as just another protectionist barrier put in their path, many of them will refuse to pay the unpredictable costs of changing their investment climate and loosening their political grip by allowing free, active labor unions. Second, if the new GSP and OPIC provisions do not achieve their intended effects, the sentiment for barring goods produced under unfair working conditions could be strengthened. Indeed, the failure of worker rights negotiations would solidify the moral justification for punishing foreign exploitation.

HOW DO U.S. TRADING PARTNERS VIEW WORKER RIGHTS? The industrial countries see it mainly as a way to resist lowering their own working conditions in order to regain lost competitiveness. While the idea of worker rights draws much sympathy, particularly from the Scandinavian countries, there is some fear that the issue is so politically charged that it could jeopardize the new GATT trade round. This fear is hardly groundless: when the European Economic Community (EEC) tried to incorporate worker rights into its Lomé Convention with developing countries in 1978, the EEC was stung by charges of protectionism and hypocrisy in continuing to trade with South Africa. So far, the EEC has shown no eagerness to reopen the matter.

The nations with the greatest stake in the debate are the highly export-dependent newly industrializing countries (NICs), for example, South Korea and Taiwan. If protectionist pressures increase in the industrial countries, it will be the NICs that suffer most. Yet what seems to trouble the NICs is not that better working conditions would reduce their competitiveness, but that removing their unions from the yoke of government repression might destabilize the authoritarian regimes now in power.

While the less developed countries (LDCs) are likely to oppose worker rights reflexively as interference in their national sovereignty, their attitude might change if they thought that better working conditions would be rewarded with loosened import restraints in the industrial countries for goods produced under international labor standards. Many LDCs want to improve working conditions in order to increase their productivity. They would welcome ILO assistance in areas like dispute settlement, manpower training, and occupational health regulation. At present, the ILO is unable to fulfill all the requests for technical assistance because of budgetary constraints. If the ILO was able to secure increased funding for assistance to countries prepared to improve their record on worker rights, the LDCs would have an additional incentive to make such improvements . . . .

At the ILO annual conference in 1936 Juitsu Kitaoka, a Japanese government delegate, offered an observation that still has a good deal of importance for the issue of international worker rights. At the time Japan was under pressure by other countries because of its low wages for textile workers. Kitaoka asked:

> I wonder if there is any guarantee of being treated fairly in trade, through reduction of tariffs or mitigation of other trade restrictions, to those countries which realise a certain standard of working conditions—for example those which ratify certain international labour conventions. If such a guarantee existed, I am sure that international labour conventions would soon dominate the world.[15]

While it may be too late for labor conventions to "dominate the world," it is never too late to seek greater international attention to worker rights in order to make trade fairer and, ultimately, freer.

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[15] *Record of Proceedings*, International Labour Conference, 20th sess. (Geneva: ILO, 1936), 187.

STATEMENT OF LYNN WILLIAMS, PRESIDENT, UNITED STEELWORKERS OF AMERICA, PITTSBURGH, PA.

Mr. **Williams**. Thank you, Senator Riegle and Senator Heinz. I appreciate very much the opportunity to be here, and I appreciate your kind remarks which you each made earlier in the session this morning. You have my full testimony. I shall do my best to present a five-minute version.

Fiest, on trade adjustment assistance. Since 1962, trade adjustment measures have been part of U.S. trade law. Part of that time there were no options in seeking relief from trade-related injury, except through the safeguard of the escape clause provisions, the so-called Section 201 relief.

However, the need to provide another alternative, especially for workers impacted by increased trade flows, was recognized as an equitable response to unemployment injury. I do not mean to imply that workers would seek the option of trade adjustment assistance instead of the remedial measures of tariffs of quotas obtainable under Section 201. Workers would rather preserve their jobs than to ease out of them.

It would be unrealistic to expect otherwise. Nevertheless, the Congress decided that, since the petition for safeguard relief involved a somewhat extraordinary process and its outcome uncertain, workers should receive compensation for the injury incurred. In other words, there should be an alternative which could be more certain if workers were injured through layoffs or job losses. While the adjustment measure had been hoped to have some political value in lessening opposition to an open trade policy, it cannot be evaluated in terms of whether it was buying off workers' resistance to trade-related job losses.

Rather, since some losses were expected, it was socially equitable that workers not bear the full burden of increased trade penetration of our markets. There certainly was a quid pro quo being proposed, but not in terms of compensation for workers' acquiescence, but rather as injury compensation for accelerated trade.

I feel it is necessary to reiterate these general assumptions of the TAA system, at least as they have been understood by the labor movement. Moreover, an assertion of the social equity of TAA needs to be made because the bill before this committee undermines the 1962 commitment to workers in two particular provisions.

First, the sunset provision. Section 214 terminates the TAA Program in 1991. Mr. Chairman, trade injury will not terminate in 1991. The global market is more a reality today than in 1962 when TAA was first enacted. Then the focus was upon expanding trade in the various national markets. But now, the domestic markets no longer define the parameters of trade.

The global market is developing increasing preeminence. It would indeed be tragic to dissolve trade adjustment assistance in the face of such volatility in trade activity.

Somewhat related to this issue of sunsetting the TAA compact is the proposal by the Administration that TAA should be merged into the Dislocated Workers Program under JTPA. For years we have heard the criticism that trade-impacted workers should not be treated any differently from other unemployed workers. Now, a distinction is being made between cyclically laid off and structurally dislocated workers.

Nevertheless, the Administration persists in its efforts to dissolve the trade-impacted program. However, the recent Department of Labor Task Force on Dislocated Workers did not make that recommendation despite the fact that the Administration strongly urged its acceptance.

The second feature of S. 490 which departs from what Labor considers to be the basic assumptions of TAA relates to the exclusivility of Section 212, Section (a), subsection (2). According to that provision, eligibility for TAA benefits is dependent upon enrollment in a training program. Our union, probably more than others, realizes the deep structural changes that are occurring in some industries.

In such situations, workers should certainly be given all the needed reemployment related services as well as the training assistance needed. Nevertheless, not all workers laid off due to imports should be considered to be structurally unemployed. The assumption of this section is that such is the case and that, therefore, the workers must be enrolled in a training program.

Actually, Mr. Chairman, trade-impacted workers may be adversely affected by unfair trade practices and the downturn of their plants may be alleviated pending the outcome of countervailing or dumping petitions. It would not be appropriate that these workers be compelled to enroll in a training program after the first 26 weeks of unemployment and the exhaustion of their UI benefits. Continuation of compensation would facilitate their rehire after the unfair trade practices have been addressed.

The proposed legislation moves the linkage obligation as a precondition to receiving all of the post-UI benefits from one of enrolling in an acceptable job search program, as enacted by the 99th Congress, to participation in a training program. We see no reason for this restrictive measure. The current law, with last year's amendments, should prevail.

Appropos of training programs, our representatives frequently complain that displaced steelworkers are discouraged from engaging these services because of the uncertainty of training funds. Already the TAA training funds, even before the first half of the fiscal year 1987, has expired or is close to being exhausted. Hence, workers view with a great deal of skepticism the Federal Government's commitment to training since funding availability is so erratic.

We view, therefore, as a major positive contribution two provisions of the bill, deleting of the funding limitation in Section 236, namely to the extent appropriate funds are available, and two, introduction of a new financing mechanism, namely an import fee of no more than one percent.

I hear the bell. We have a significant submission on the workers' rights.

Senator RIEGLE. I think we need to hear that, despite the bell, or at least a summary of it.

Mr. WILLIAMS. All right. Let me move ahead, and I am in your hands.

On October 26, 1986, the U.S. delegation tabled a position paper before the GATT, the preparatory committee in Geneva, requesting that the new round of trade negotiations include a declaration: Ministers recognize that denial of worker rights can impede attainment of objectives of the GATT and can lead to trade distortions, thereby increasing pressures for trade-restrictive measures.

The proposal goes under the realization that there is a linkage between trade patterns and denial of internationally recognized workers' rights. A major thrust of this year's trade bill focuses upon the fact that new forms of unfair trading practices have evolved. The so-called even playing field has been spotted with potholes, some of which can have a very serious adverse effect on competition.

Among the trade practices which put American producers at a disadvantage in their market are those arising from foreign governmental policies or practices which suppress labor rights.

While the labor movement is understandably committed to promotion of human rights, including labor rights, as an expression of social purpose, it is necessary to assert that the linkage with the trade laws in the area of labor rights relates very specifically to economic distortions and unfair trade advantage which the suppression of these rights entails.

The act of denial or suppression of these internationally recognized rights by some of our trading partners should constitute an unfair economic advantage under Section 301 of the trade bill. It is not surprising that the proposal offered by the U.S. Delegation was rejected. Economic advantage was at stake. We are disappointed that our negotiators did not insist upon the explicit inclusion of labor rights suppression in the agenda of the Uruguay Round.

It is for that reason that it should be included in our trade law. Actually, Section 301 does reach for practices which are not addressed by GATT codes. We need the explicit declaration that this type of unfair trade practice is amenable to a Section 301 action in order to adequately defend our workers against the growing reality that competitiveness in international trade means a decrease in our standard of living. Aside from the fact that denial of labor rights constitutes a violation of human and democratic principles, fundamentally in the trade field, it constitutes an unfair economic advantage. It is indeed ironic that our trading partners who oppose this provision as part of the GATT negotiations do so on very obvious economic grounds, namely the potential elimination of a trade advantage.

However, domestic opponents appear to be concerned more on ideological grounds, namely the possible expansion of unionism and labor standards. It is important to emphasize that the Riegle-Harkin proposal should be viewed entirely in terms of whether there is an unfair economic advantage being promoted. The USTR has already been implementiog the GSP equivalent of this provision. The agency was able to administer the provision in an open manner. Interested parties were able to participate in the review of the worker rights practices in 11 countries.

On the basis of that review, the President determined to remove GSP status from two countries, suspend eligibility for another country, and place on a continued review a fourth country. Mr.

Chairman, the provision is implementable and should be extended to cover all products subject to trade.

Furthermore, I should note that the Section 301 action contemplated by the provision is discretionary, but the existence of the procedure will induce an atmosphere to remove this form of unfair trade if the penalty could be restrictive access to this market. My main observation pertains to the fact that, whether these rights are promoted through the trading system, as part of an advancement of human rights, governmental suppression of these rights constitutes not only a social deprivation for the workers concerned but an economic disadvantage for American workers.

It is that essential point which we are reiterating as the justification for the inclusion of the denial of labor rights in Section 301.

Senator RIEGLE. Thank you very much. Mr. Oursler, let us hear from you at this point, if we may.

[The prepared written statement of Mr. Williams follows:]

TESTIMONY

of

LYNN R. WILLIAMS, PRESIDENT
UNITED STEELWORKERS OF AMERICA

before the

Senate Finance Committee

on
S. 490
OMNIBUS TRADE ACT OF 1987

Re:
Trade Readjustment Assistance
and
Worker Rights

March 18, 1987
Washington, D.C.

There are two features of the U.S. trading system and trade laws which deserve specific attention by the Congress. One is already part of trade law and should retain a permanent status. The other--so far--has not received legislative recognition in the basic trade law, although there is a statutory expression of it in the aid-related provisions of the Generalized System of Preferences (GSP) and the trade-related insurance coverage for overseas American private facilities under the Overseas Protection Insurance Corporation (OPIC). I refer to Trade Adjustment Assistance and international labor rights.

Trade Adjustment Assistance

Since 1962, trade adjustment measures have been part of U.S. trade law. Prior to that time, there were no options in seeking relief from trade-related injury except through the safeguard or the escape clause provisions--the so-called Section 201 relief. However, the need to provide another alternative, especially for workers impacted by increased trade flows, was recognized as an equitable response to unemployment injury. I do not mean to imply that workers would seek the option of trade adjustment assistance (TAA) instead of the remedial measures of tariffs or quotas obtainable under Section 201. Workers would rather preserve their jobs than be eased out of them. It would be unrealistic to expect otherwise. Nevertheless, the Congress decided that, since the petiton for safeguard relief involved a somewhat extraordinary process and its outcome uncertain, workers should receive compensation for the injury incurred. In other words, there should be an alternative which could be more certain if workers were injured through layoffs or job losses. While the adjustment measure had been hoped to have some political value in lessening opposition to an open trade policy, it cannot be evaluated in terms of whether it was buying off workers' resistance to trade-related job losses. Rather, since some losses were expected, it was socially equitable that workers not bear the full burden of increased trade penetration of our markets. There certainly was a quid pro quo being proposed, but not in terms of compensation for workers acquiescence, but rather as injury compensation for accelerated trade. This tradeoff was reaffirmed in 1974 when Congress liberalized TAA by assuring income compensation from the first day of certification by the Department of Labor that a plant was being adversely impacted by trade. This assurance was provided through a compensation formula which paid benefits above the unemployment compensation levels. Although in 1981, the compensation level was reduced to the UI levels of each state, the underlying compact was maintained.

I feel it is necessary to reiterate these general assumptions of the TAA system--at least as they have been understood by the labor movement. Moreover, an assertion of the social equity of TAA needs to be made because the bill before this committee undermines the 1962 commitment to workers in two particular provisions.

(1) Sunset Provisions

Section 214 terminates the TAA program in 1991. Mr. Chairman, trade injury will not terminate in 1991. The global market is more a reality today than in 1962 when TAA was first enacted. Then the focus was upon expanding trade in the various national markets. But now the domestic markets no longer define the parameters of trade. The global market is developing increasing preeminence. It would indeed be tragic to dissolve trade adjustment assistance in the face of such volatility in trade activity. As a matter of fact, I should note that the bill proposes a unique and effective way to finance adjustment assistance; namely, through an import duty. Yet the new TAA benefits recommended by the Act and the financing mechanism will, for the most part, be in effect only one year before the whole program will be terminated if Section 214 prevails.

The USWA sincerely urges that the sunset provision be deleted in recognition of the need for a continuation of TAA by a country having the largest exposure to trade impacts. Instead TAA should be a permanent feature of our trading policy just as unemployment compensation is a permanent part of our domestic economic policy. The basic unemployment insurance program is not turned on and off with each cyclical swing so neither should trade adjustment assistance be dependent upon each swing in a legislative trade policy.

Somewhat related to this issue of sunsetting the TAA compact is the proposal by the Administration that TAA should be merged into the Dislocated Workers program under JTPA. For years we have heard the criticism that trade-impacted workers should not be treated any differently from other unemployed workers. Now a distinction is being made between cyclically laid off and structurally dislocated workers. Nevertheless, the Administration persists in its effort to dissolve the trade-impacted program. However, the recent DOL Task Force on Dislocated Workers did not make that recommendation despite the fact that the Administration strongly urged its acceptance. Adverse consequences in the trade market, while they may have the same economic impact in terms of loss of wages and loss of jobs, are different in their causes than those consequences which result from the economic functioning of the marketplace. Trade policy more directly is linked to legislative and Administration decisions, even to the extent that there is a conscious recognition that there will be job losses. Sheer equity requires that such decision be accompanied by a discrete program for readjustment. Furthermore, as will be indicated, TAA carries with it a unique feature; namely, extension of the UI level of benefits and availability of income support during training. It is that distinct characteristic of this program which the Administration has rejected since it took office. It is our concern that you reject the Administration's proposal as did the Task Force.

(2) Compensation-Training Linkage

The second feature of S.490 which departs from what labor considers to be the basic assumptions of TAA relates to the exclusivity of Section 212(a)(2). According to that provision eligibility for TAA benefits is dependent upon enrollment in a training program unless the Secretary of Labor " . . . finds that it is not feasible or appropriate to approve a training program for a worker." Our union probably more than others realizes that deep structural changes are occurring in some industries. In such situations, workers should certainly be given all the needed reemployment related services and training assistance needed. For that reason, the Steelworkers fully supports S. 538, The Economic Dislocation and Worker Adjustment Assistance Act. Note, however, that the definition of training needs to be broadly interpreted to include not only skill upgrading and reinforcement but also employment-related services.

Nevertheless, not all workers laid off due to imports should be considered to be structurally unemployed. It is the assumption of this section that such is the case and that, therefore, the workers must be enrolled in a training program. Actually, Mr. Chairman, trade-impacted workers may be adversely affected by unfair trade practices and the downturn at their plants may be alleviated pending the outcome of countervailing or dumping petitions. It would not be appropriate that these workers be compelled to enroll in a training program after the first 26 weeks of unemployment and the exhaustion of their UI benefits. Continuation of compensation will facilitate their rehire after the unfair trade practices have been addressed.

In the case of steel, our union does encourage workers to make the maximum use of these adjustment measures. Regrettably, many workers are not returning to the steel mills. Hence, we do encourage them to take advantage of approximately 1½ years of income-supported training if the first 26 weeks of UI benefits are utilized. Furthermore, through our most recently concluded collective bargaining agreements with the major steel companies, we have been able to obtain corporate financial commitments for the readjustment programs:

Inland Steel	$210,000 per year
Armco	300,000 per year
Bethlehem	500,000 per year
USX	600,000 per year
LTV	975,000 per year

All these commitments are consistent with the statutory obligations under the Trade and Tariff Act of 1984 with which these companies must comply if the VRA's are to be implemented; namely, on a setaside of 1% of net cash flow. Our collective bargaining arrangements, however, commit the expenditures of training funds regardless of whether there is a net cash flow. Because the steel industry is undergoing structural changes (whether in an orderly fashion or not since there is no steel restructuring policy) USWA is strongly supportive of readjustment measures--including training, for displaced workers.

Nevertheless, the proposed legislation moves the linkage obligation, as a precondition to receiving all of the post-UI benefits, from one of enrolling in an "acceptable job search program" as enacted by the 99th Congress, to participation in a training program. We see no reason for this restrictive measure. The current law, with last year's amendments, should prevail. The main purpose of readjustment measures is to put workers in jobs as soon as possible. Training is not the exclusive method. Employment-related services certainly are. An absolute linkage with a training enrollment in the last 26 weeks of TRA benefits is appropriate. However, we would urge the Committee not to roll forward that linkage--at least until we receive more factual information with regard to last year's amendments.

Apropos of training programs, our representatives frequently complain that displaced steelworkers are discouraged from engaging these services because of the uncertainty of training funds. Already, the TAA training funds--even before the first half of the fiscal year 1987 has expired--are close to being exhausted. Hence, workers view with a great deal of skepticism the federal government's commitment to training since funding availability is so erratic.

We view, therefore, as a major positive contribution two provisions of the bill:

- deletion of the funding limitation in Section 236(2)(1); namely, "to the extent appropriate funds are available."
- introduction of a new financing mechanism; namely, an import fee of no more than 1%.

Senator Roth deserves special praise for his persistence in trying to provide a sound basis for financing trade adjustment assistance through this method. Additionally, another funding mechanism might entail the auctioning of quotas.

However, there is a need to provide more assurance that training funds shall be made available "directly or through a voucher system." We would note, however, that the value of the voucher, which in this bill is defined as $4000, should be described to cover training programs not to exceed 104 weeks, a practice which now is followed by DOL. It should be noted that a key feature of TAA training programs which distinguishes them from all other JTPA programs, is the extension of income support during training.

Without this benefit, many workers are discouraged from enrolling in a training program of sufficient duration which might give them a greater opportunity to maintain the higher wage rate and, hence, the high standard of living which he achieved in steel and other industrial jobs from which they are being displaced. We urge the Committee's adoption of trade readjustment improvements as an appropriate complement to this year's trade policy legislation.

Worker Rights

On June 26, 1986, the U.S. delegation tabled a position paper before the GATT preparatory committee in Geneva requesting that the new round of trade negotiations should include a declaration:

> "Ministers recognize that denial of worker rights can impede attainment of objectives of the GATT and can lead to trade distortions, thereby increasing pressures for trade-restrictive measures."

The proposal grows out of the realization that there is a linkage between trade patterns and denial of internationally recognized workers' rights. A major thrust of this year's trade bill focuses upon the fact that new forms of unfair trading practices have evolved. The so-called "even playing field" has been spotted with potholes, some of which can have a very serious adverse impact on competition. Among the trade practices which put American producers at a disadvantage in their markets are those arising from foreign governmental policies or practices which promote:

- denial to workers the right to organize and bargain collectively;
- permission of any form of forced or compulsory labor;
- failure to provide a minimum age for employment of children; and
- failure to provide standards for minimum wage, hours of work and occupational safety and health.

While the labor movement is understandably committed to promotion of human rights, including labor rights, as an expression of social purpose, it is necessary to assert that the linkage with the trade laws in the area of labor rights relates very specifically to economic distortions and unfair trade advantage which suppression of these rights entails. The active denial or suppression of these internationally recognized rights by some of our trading partners should constitute an unfair economic advantage under Section 301 of the trade code.

It is not surprising that the proposal offered by the U. S. delegation was rejected. Economic advantage was at stake. We are disappointed that our negotiators did not insist upon the explicit inclusion of labor rights suppression in the agenda of the Uruguay Round. It is for that reason it should be included in our trade law.

Actually, Section 301 does reach for practices which are not addressed by GATT codes. In particular, denial of labor rights in the Riegle-Harkin bill (S. 498) is considered to be an unreasonable practice; i.e., "Any Act, policy, or practice which while not necessarily in violation of or inconsistent with the international legal rights of the United States is otherwise deemed to be unfair and inequitable." We need the explicit declaration that this type of unfair trade practice is amenable to a Section 301 action in order to adequately defend our workers against the growing reality that competitiveness in international trade means a decrease in our standard of living. Certainly competition does mean price competitiveness, but the basic approach of our trading system is that it must be conducted under certain rules and arrangements. Aside from the fact that denial of labor rights constitutes a violation of human and democratic principles, fundamentally in the trade field, it constitutes an unfair economic advantage. It is indeed ironic that our trading partners who oppose this provision as part of the GATT negotiations do so on very obvious *economic grounds*; namely, the potential elimination of a trade advantage. However, domestic opponents appear to be concerned more on *ideological grounds*; namely, the possible expansion of unionism and labor standards.

It is important to emphasize that the Riegle-Harkin proposals should be viewed entirely in terms of whether there is an unfair economic advantage being promoted.

Furthermore, the issue is not whether unionism and labor standards are being actively promoted by our trading partners but whether, instead, there is active intervention to suppress these labor standards so as to obtain an economic advantage.

Additionally, Mr. Chairman, we stress that these rights are not to be described in terms of their American equivalency in the NLRA and minimum wage laws. It has been charged that we are trying to impose our labor standards and collective bargaining rights on the rest of the world, but don't even apply them to ourselves. Actually, since this provision is directed at suppression rather than promotion, we would suggest that legislative language could make clear that the operative principle is government action to deny these rights. As a matter of fact, the Pease-Rostenkowski version clarifies that there is no intent to impose American labor standards on our trading partners. But by the same token, we should not be vulnerable to the imposition of a lower standard of living upon our economy.

The USTR has already been implementing the GSP equivalent of this provision. The agency was able to administer the provision in an open manner and interested parties were able to participate in the review of the worker rights practices in eleven countries. On the basis of that review, the President determined to remove GSP status from two countries, suspend eligibility for another country and place on a continued review another country. Mr. Chairman, the provision is implementable and should be extended to cover all products subject to trade. Furthermore, I should note that the Section 301 action contemplated by the provision is discretionary, but the existence of the procedure will induce an atmosphere to remove this form of unfair trade if the penalty could be restrictive access to this market.

S. 490 does establish certain overall objectives to be achieved under the Uruguay Round, among which is:

> "The establishment of minimum standards applicable to the workplace to provide greater international discipline over abuses of human rights of workers."

This is an objective which we can applaud in that it attempts to explicitly commmit the international trading system to the adavancement of human rights. However, there are two observations which I would like to make to reinforce USWA's position that a position for decision on the GATT bargaining table should not be a substitute for inclusion in the Section 301 list of unreasonable practices.

o On September 20, 1986, at the conclusion of the opening session at Punta del Este, the Chairman, Uruguayan Foreign Minister Iglesias stated: " . . . there were certain issues raised by delegations on which consensus to negotiate could not be reached at this time. These issues included the export of hazardous substances, commmodity arrangements, restrictive business practices, and workers' rights." Frankly, Mr. Chairman, we don't expect to see much progress during the current negotiating sessions. Ambassador Yeutter in testifying before the Ways and Means Committee did indicate that the " . . . Ministerial Declaration contains a provision that will enable us to include additional subject matter in the negotiations as the Round moves forward." Perhaps your statutory objective could assure greater progress than has so far been achieved.

- But my main and second observation pertains to the fact that whether these rights are promoted through the trading system as part of an advancement of human rights, governmental suppression of these rights constitutes not only a social deprivation for the workers concerned, but an economic disadvantage for American workers. It is that esssential point which we are reiterating as the justification for inclusion of the denial of labor rights in Section 301. Secretary Brock, at a recent Labor Sector Trade Advisory Committee, indicated that he would support a multilateral forum for developing these rights but would object to any mandatory lock on our trade negotiations. Perhaps your mandate in Section 105 will provide the necessary stimulus and yet allow sufficient flexibility to . . ."provide greater international discipline over abuses" in this area. However, Mr. Chairman, our concern extends to the impact in our marketplace--which obviously will be greater if there is minimum or no international discipline. With or without the discipline, the economic disadvantages need to be addressed and for that reason, we urge that S. 490 incorporate an expansion of what constitutes an "unreasonable" trade practice.

In summary, we urge consideration of the proposals presented by the Roth-Moynihan bill (S. 23) with the modifications indicated in our testimony. There is a social contract with labor which should not be abandoned. The suppression of labor rights by some of the governments of our trading partners does constitute a valid cause for action not only at the GATT negotiations, but also in Section 301. There is a suppression of the living standards of American workers which should be arrested, especially if the downward pressure is due to unfair trade practices.

STATEMENT OF BARNEY OURSLER, CO-DIRECTOR, UNEMPLOYED COUNCIL OF SOUTHWESTERN PENNSYLVANIA

Mr. OURSLER. Mr. Chairperson and Senator, my name is Barney Oursler. I used to work at the U.S. Steel Irvin Works in the Mon Valley near Pittsburgh. I am now Co-Director of the Unemployed Council of Southwestern Pennsylvania. We have three chapters and more chapters growing. We are 4,000 members currently, trying to help ourselves to get through this crisis that we are facing in Southwestern Pennsylvania.

Through that council, we have been able to draw on a number of allies within the region. For example, the chair of the board of the regional council is Ron Hoffman, a Vice President of ALCOA Corporation. We are here today to ask for your help. We think the Trade Adjustment Assistance Program is an extremely valuable program, aiding workers to retrain and rebuild their lives.

The cash assistance program is a vital part to enable people to go into the full time training that TAA provides. You cannot take part-time trade adjustment assistance training.

The relocation, the job search ability fits in with national policy—as we have heard it said many times in Washington—that workers must make hard decisions about their lives and relocate. This program provides a 90 percent reimbursement for those costs.

We have many examples of the success of the program. We have had a gentleman who came down here early last year to try to assure that Congress extended the Trade Adjustment Assistance Program. He has since—with the help of Senator Heinz and Senator Specter—been able to get the benefits that he should have gotten, had learned a new trade, and has moved to our State capitol to be employed as a computer operator.

He was very pleased; and I was going to mention to Senator Roth, that when he was down here and got his picture with Senator Roth when he was down here last year.

There are plants where the program has worked successfully. We have a plant called the Westinghouse Airbrake Facility in Wilmerding near Pittsburgh, where several thousand workers are going to be able to take advantage of this program. A couple of things happened there that are not normal. One is that the company and union got together and gave very clear and timely notice to the workers from that plant.

After they were laid off and after they were certified of these benefits, workers were told their rights and responsibilities on the workers' part to get those rights. Our organizing has also sensitized the unemployment offices in the region, and they are very careful to inform workers about all of those rights and responsibilities.

And second unusual fact was that the plant was shut down, once and finally, in a slow process, but workers—when they were separated—knew they were gone forever. More common in our region is the experience at the Duquesne Works of U.S. Steel, where we learned Monday that Senator Heinz's grandfather was the works manager a few years back.

At that plant, it didn't just shut down; production went up and down. In the process of losing orders, of having U.S. Steel transfer orders to other places, workers were recalled, were laid off, and were recalled. And when they were finally laid off for the last time, their benefits had already expired.

This is personified by a gentleman we call Duquesne Frank. When we are holding our local meetings now throughout the region, we inform workers about their TRA rights and responsibilities—and by the way, we have held five meetings in the last month and a half, and we have had over 3,000 workers attend those meetings—those cover five plants in a seven-page list of plants covered in Southwestern Pennsylvania since 1974. So, we have a lot more work to do.

Duquesne Frank came up to us at the end of one of those meetings, and he said: I didn't get my benefits. I worked in that plant an awful long time, got laid off in 1953 for a little while, got laid off for one week in 1982; and when I helped shut the plant down in 1984, I finished my unemployment benefits and I went up to sign up for TRA, and the TRA was gone. I had lost my benefit rights.

We don't believe that you Senators intended that to happen to Duquesne Frank. We believe that your intention was that workers who had worked for many years should have those benefits to help them remake their life when they lose those jobs. We need to know from you Senators exactly what you did intend.

Tomorrow night, we will be addressing potentially 8,000 workers up in Aliquippa, Pennsylvania, who have lost their jobs similarly.

We know in 1981 you intended to cut back the program, but did you mean to cut it 96 percent as happened by 1984?

We think that, in many cases, the Department of Labor and, up until the new administration in Pennsylvania has taken office—and we don't know what they are going to do—that the Pennsylvania administrators of the program took the narrowest and most restrictive interpretation possible of all of those things that you tried to provide for us. We are very concerned that you look at the problems faced by unemployed workers throughout the country; particularly, I can speak for Southwestern Pennsylvania where we have every intention of remaking our life, but we are facing something in Southwestern Pennsylvania that there is no answer for in the short term.

It takes serious retraining. It takes even more than the $4,000 contained in the Roth-Moynihan cap for some of the kinds of training programs to have a chance, to have a life that can produce the standard of living for you, for your children, that you once had with good industrial jobs.

Finally, if I may, I would just like to reiterate what Senator Heinz mentioned earlier. Hundreds of dislocated Pennsylvania workers are right now ready to enter training programs, and they have already signed up. They have already done things to change their life, to be able to start school.

Starting last week, they were told if they were not actually in class beginning on Monday, on Tuesday, March 10 they lost their right to training because the Training Adjustment Assistance money has run out. We need an emergency supplemental appropriation, and we urge you to very quickly pass that.

Senator **Riegle**. Thank you very much.

Ms. Burkhalter?

[The prepared written statement of Mr. Oursler follows:]

PREPARED STATEMENT OF BARNEY OURSLER

Senators, my name is Barney Oursler. I was a steelworker in the Mon Valley near Pittsburgh. Now I,m the Co-Director of the Unemployed Council of Southwestern Pennsylvania (UCSP). The Council, so far, has three local committees around our region through which unemployed workers help themselves and work with community allies, including politicians, to share survival information and learn to fight together to get help where none exists.

From a December 30, 1985 Pittsburgh Post Gazette special supplement about what has happened to workers who lost their jobs since 1979, we know that the Pittsburgh region lost a total of 89,000 jobs. Many more have gone since then. But, in that same period, 24,000 new jobs were created. Not all of them are hamburger flipping minimum wage jobs.

How do we get the training to have a shot at these jobs? How do we face the hard reality and relocate when retrained with all our resources drained? How do we support a family while in full-time training?

For a year we have lobbied to save TAA and fought hundreds of cases of potentially TAA eligible workers. The training, job search, relocation and cash assistance benefits can enable many dislocated workers to remake their lives. Since February 3, 1987 more than 3,000 workers came to seven meetings.

From these meetings and a seven page list of TAA certified plants in SW Pennsylvania since 1974, plants whose workers will soon be learning about benefits like tuition and relocation monies, it is clear that:

1. Large numbers of trade dislocated workers have not yet remade their lives.

2. Few of these workers received clear and timely information and many were misinformed of TAA/TRA rights and responsibilities.

3, Affected workers want and are determined to get the benefits they are entitled to.

From cases handled by the UCSP since July 1986, the following is a list of some of the more serious problems we faced:

1. Many people have been denied TRA cash assistance because their last layoffs and exhaustion of state unemployment insurance benefits were past their TRA benefit eligibility periods. The 104 week benefit eligibility period that you legislated in 1986 didn't cover them.

2. A 210 day TAA sign-up requirement you legislated in 1981 to urge workers to retrain quickly has backfired by actually stopping workers who have tried to retrain quickly from getting the cash assistance they need to stay in school.

3. The lack of information about valuable retraining monies have kept many workers from the training and relocation rights that you legislated the TAA program to provide. Misinformation, both past and present, disseminated by Office of Employment Security (OES) in its offices throughout the state has effectively denied access to training programs to thosands of dislocated workers in SW Pennsylvania.

4. Other problems include limits on the kind and length of retraining available to unemployed workers. In part, the difficulty here is again one of federal DOL and state OES interpretations. Two issues stand out:

A. If your legislation says that professional and vocational employment is suitable employment for dislocated workers then training should be suitable for TAA approval. OES refuses to approve TAA training in many cases claiming that prior training precludes further training.

B. No four year program can be approved because the DOL says the TAA law really means only 104 weeks of training is to be provided. In Pennsylvania TAA is denied for any program lasting more than two years even if the individual is willing to pay the training period beyond two years.

5. Many workers, upon being laid-off, enter training quickly. They often enter training one to two years before the TAA petition results in certification for their plant. In Pennsylvania you cannot be reimbursed for any costs of training begun prior to applying for TAA (which no one can do until your plant is certified).

6. Many workers now losing jobs are being forced into early retirement. The benefits may help some dislocated workers go to school, but for many they are not large enough to provide even that temporary support while in school. Pensions should not be deducted from TRA cash assistance benefits and no age limits should be placed on your eligibility for TAA retraining benefits.

7. While mills and manufacturing plants shut down there are often intermittent periods of layoffs and employment. The current requirement for TRA cash assistance of having worked 26 of 52 weeks prior to your layoff keeps too many DOL certified workers from getting retraining benefits.

8. Since it takes time for workers to properly formulate and file petitions for TAA certification, many workers are laid off prior to the mechanically set impact date.

Senators, solutions can be complicated, but let me summarize them:

1. Keep the TAA/TRA program and help us use it to rebuild our lives. We think you meant the law to do this.

2. Help the many thousands of workers in SW Pennsylvania and around the country who still suffer from the program's failure since 1981. (Benefits: 1980 - $1.6 billion, 1984 - $56 million).

3. Make the kind of improvements that will help current and future TAA eligible workers get that chance.

4. Help us find a way to put adequate funds into the TAA program immediately.

STATEMENT OF HOLLY BURKHALTER, WASHINGTON REPRESENTATIVE, AMERICAS WATCH, WASHINGTON, DC

Ms. Burkhalter. Thank you, Mr. Chairman. I have a lengthy statement here, and I will summarize; but I would be grateful if you could include it in the written record.

Senator Riegle. By all means. All the statements will be made a part of the record, and we would appreciate a summary.

Ms. Burkhalter. Thank you. I am here this morning on behalf of the Americas Watch. The committee asked me to talk particularly about Chile, but I would also say that the position of my committee and our companion committees—the Helsinki Watch and the Asia Watch—is a little different than some of my co-panelists. We don't take a position on labor rights and your legislation. Because of trade imbalances with other countries. We support labor rights legislation solely on the grounds that it would enhance human rights and enhance U.S. opportunities to encourage human rights protection in countries which need it.

I would like to look at Chile particularly, not only because it is a very interesting labor rights situation, but because I think it would be beneficial for the committee to scrutinize the process to date that has been employed under labor rights legislation that has already been enacted.

Chile once had a very flourishing labor union movement. In 1973, the year of the Pinochet coup, some 44 percent of Chile's labor force was unionized. Ten years later, only 16 percent were involved in unions, and the reason for that is not because of a sudden lack of interest in union activities, but because of a variety of government impediments to free union activity, including a very restrictive labor code and violent actions against labor unionists themselves.

As you can see in my testimony, in the last couple of years, trade unionists have been jailed and have been sentenced to internal exile and, in a few cases, have actually been killed. And this is particularly important in the Chilean context because labor unionists are a part of a broad democratic movement that is seeking nonviolent, peaceful political change; and accordingly, they have themselves become victimized disproportionately.

I won't go into any more detail about the Chilean experience, but I would be happy to take questions on it.

Under the GSP and OPIC, you yourself mentioned the importance, Senator Riegle, of the process itself in enhancing human rights. And I would say that, even though the Americas Watch is disappointed that the USTR did not remove Chile from list of beneficiaries, we do recognize that David Shark and his staff did a respectable job as did the U.S. trade negotiators, in working with the Chileans and making it clear that there were serious problems in their record and in encouraging changes. We think that that is a very important part of the process, and we welcome the legislation if only for the opportunity that it gives the United States to try to protect some lives and to get some people out of jail and to press for changes that would really affect human lives in Chile and other countries.

But the disappointing thing is that, because of language—no fault of Congressman Pease, who tried to get something tougher—but because of the language that exists on GSP and OPIC that talks about "taking steps", the USTR determined that the Chilean government was taking sufficient steps that would allow them to remain under the GSP and OPIC.

Those steps involved largely cosmetic improvements in the labor code, which really didn't have an effect on free labor union activity at all. And I might add, sir, that it appears that the process within the U.S. Government in determining Chile's eligibility was quite a controversial one. It is my understanding that the Labor Department staff recommended that Chile be removed from the list of beneficiaries, and there was quite a bit of discussion between the Labor Department, the State Department, and the USTR on Chile's eligibility.

In the final analysis, only three countries were removed from eligibility, as you know, sir: Paraguay, Romania, and Nicaragua. All three countries deserved it in terms of their labor rights records and we commend the Administration for taking those positions. Of course, in the case of Nicaragua, it was a moot point because of the trade embargo.

In the Chilean context, however, the Administration took action that was not anticipated or really allowed under the Pease language on the GSP and the OPIC. And that was they sort of put them on probation. It is better than nothing, but it is really not legal; and we firmly believe that Chile's labor rights problems should have had it removed from the list all together, though we welcome that they are going to hold Chile up for continued scrutiny in the coming year.

I think that this experience has pointed out the need for you in your own amendment, which we strongly support, to have somewhat tougher language because of the Administration's willingness to accept cosmetic or minor improvements. And I think that, from what I know of the amendment that you are proposing, sir, and of the Pease and Harkin bill, you have much better language—and we endorse it—which would allow you to really take serious action against countries like Chile, which deserve to have sanctions because of their labor rights violations. Thank you.

Senator RIEGLE. Thank you very much. Mr. Harvey?

[The prepared written statement of Ms. Burkhalter follows:]

LABOR RIGHTS VIOLATIONS AS AN UNFAIR TRADE PRACTICE

Holly Burkhalter for the Americas Watch

Senate Finance Committee, March 18, 1987

Thank you for inviting me to testify on the subject of labor rights violations as an unfair trade practice, Mr. Chairman. My name is Holly Burkhalter and I am the Washington Representative of the Americas Watch, an organization monitoring human rights in Latin America and the Caribbean. The Americas Watch strongly supports proposed amendments to the Trade Act which link trade benefits to protection of labor rights. Over the past ten years, the Congress has enacted a body of human rights laws which, if administered appropriately, would limit U.S. foreign aid to governments engaged in gross violations of internationally recognized human rights. The labor rights language you are considering today is in the same spirit as the "Harkin amendments". If passed, such legislation would require that countries receiving certain trade benefits must meet a standard of labor rights, including the right to association, the right to organize and bargain collectively, a prohibition on compulsory labor, a minimum age for the employment of children, and acceptable conditions of work.

As you know, Mr. Chairman, the Congress has already explicitly endorsed the link between trade benefits and labor rights. In 1984 and 1985 the Congress enacted legislation conditioning trade benefits under the Generalized System of Preferences (GSP) and the Overseas Private Investment Corporation (OPIC) on labor rights. This legislation has given the executive branch an important opportunity to convey U.S. concern about labor rights violations and to pressure for improvements. The results of the GSP review which were announced on January 2nd suggest that on some countries, such as Paraguay and Romania, the Administration took the labor rights conditions on GSP and OPIC seriously. In other cases, such as Korea, there is little evidence that the process was used to obtain improvements in labor rights, and the country remained a beneficiary in spite of continued gross violations of labor rights.

The Administration's actions with respect to GSP and OPIC benefits for Chile illustrates the need for more comprehensive labor rights language, as embodied in the proposed Harkin and Riegle amendments to the trade act. The Office of the U.S. Trade Representative announced that "the review of worker rights in Chile will be continued for an additional year." This decision, which implies that Chile is on probation because of its abuses against labor unionists, is not envisioned in existing law and is a disappointing one, because Chile's labor rights record clearly disqualifies it for GSP and OPIC benefits. (It is my understanding that there was a great deal of dissent within the Administration on the question of Chile; the Department of Labor is said to have recommended that Chile be removed because of "insufficient progress" on affording worker rights.) In spite of the USTR's failure to remove Chile from the list of GSP and OPIC beneficiaries, it is clear that the process was used to bring strong pressure on Chile to improve its labor rights record. We are informed that U.S. trade negotiators raised questions of restrictions on freedom of assembly and speech, technical restrictions on the forming of union confederations, restrictions on the right to strike, and the arrest and banishment of trade union leaders. Unfortunately, the Chilean Government's response to U.S. suggestions were, in the words of a Labor Department memorandum, "modest, tentative, and designed to substantially preserve the status quo."

The Administration justified its decision to maintain benefits for countries with poor labor records, such as Chile and Korea on the grounds that the legislative language allows countries which are "taking steps" to improve international worker rights to retain benefits. "Taking steps" in the Chilean case involved cosmetic modifications of the labor code. Unfortunately, the Chilean Government failed to "take steps" which would have signalled an end to severe harassment of labor unionists and allowed freedom to organize and bargain collectively. Because of the executive branch's willingness to accept superficial gestures as compliance with the labor rights requirements in law, we respectfully urge you to consider stronger language in the omnibus trade act. It is my understanding Senator Harkin's labor rights bill prohibits trade benefits to any country which engages in "unreasonable or unfair" trade practices, including any practice which undermines internationally recognized labor rights. In the House of Representatives, Rep. Pease has offered an amendment to the Trade Act which requires that every U.S. trading partner under the GATT "has taken or is taking steps that demonstrate significant and measurable overall advancement to afford such rights". Either language is preferable to the "taking steps" provisions of existing law, and would enhance the possibility that the executive branch would actually limit U.S. trade relations with labor rights violators.

The issue of labor rights is increasingly significant around the world as trade unionists assume leadership roles in democratic movements. In Chile, labor unionists are an important part of a broad-based democratic movement. As a consequence, they have been particular victims of harsh government repression. There were numerous government attacks on labor unionists in 1985 and 1986. In August 1985, a group of 14 people, including labor and community leaders who met to protest the killings of three people, including a trade union leader, were arrested and sent into internal exile. In September, 1985, 62 community, labor and political leaders were arrested for participation in a demonstration; 34 of them were sent into internal exile. Later in that month, 24 more opposition figures were arrested, including the leaders of the National Workers Command (CNT), Rodolfo Seguel, Manuel Bustos, Arturo Martinez, and Jose Ruiz de Giorgio, as well as members of the National Teachers Association. The labor union leaders were held in jail for an extended time before charges were dropped. In early March, 1986, construction workers' leaders Sergio Troncoso and Reynaldo Alvarez were arrested after their unions protested the lack of progress in the case of government abuses against the National Teachers Association. In March 1986, Rodolfo Seguel was again arrested following his participation in a demonstration. On May 1st, security forces conducted raids at several union headquarters, including the CNT and the National Teachers Union. At both sites, as at other labor offices, unionists were arrested. At the headquarters of the government workers union, a union leader was badly beaten by the police. In July, union leaders and others participating in the national strike were jailed, including leaders of the Teachers Union. Just last month, Amnesty International reported that five leaders of the Teachers Union received threats that if they didn't leave the country by the beginning of March they and their families would be subjected to "severe repressive measures". At least one of the union leaders is said to have left the country temporarily because of fears for his safety. Amnesty International also reported that 13 teachers were detained on February 13 in connection with a demonstration and that one was abused by a policeman and required hospital treatment as a result.

The State Department Country Report on Human Rights, which was released last month described numerous impediments to free association in Chile, such as legal actions brought against the Copperworkers Union in January 1986. The report stated: "The courts ordered union offices and assets placed in escrow, and prohibited the elected officials from carrying out any union duties until questions over their eligibility were clarified. Following 9 months of stalemate, the union officials resigned. Several other unions had their offices searched during the annual labor day celebration. There were also continued reports of individual labor leaders being dismissed from their jobs under circumstances suggesting the firings were due to their criticism of management or of the Government."

As a result of consistent violations of labor rights by the Pinochet dictatorship since 1973, membership in Chilean unions has dropped dramatically. In 1973, 44% of the workforce was represented by unions; ten years later only 16% of the workforce, or 600,000 workers, were union members. This was neither an accident nor a result of declining worker interest in unions. Rather it was the result of a deliberate government policy to discredit and suppress Chile's major unions and to make vigorous leadership of these unions tantamount to grounds for arrest, internal exile, or even murder at the hands of the Chilean security forces.

Abuses against trade unionists are only part of Chile's bleak human rights picture. Routine torture of political prisoners, massive military sweeps through poor neighborhoods and arbitrary detention of thousands of slum-dwellers, the arrests of democratic political leaders, journalists, and human rights monitors, and even killings by the security forces characterize the Pinochet dictatorship. Yet in spite of the risks, more and more Chileans, with trade unionists frequently leading the way, are participating in nonviolent political opposition, and calling for a peaceful transition to democracy and the rule of law. They need and deserve international support.

The Americas Watch supports labor rights conditions in the Trade Act now under consideration by this Committee. Conditioning trade relations on compliance with international labor rights standards is a natural extension of human rights law relating to foreign assistance. The labor rights amendments you are considering can be an important contribution by the U.S. to democratic development and are an act of solidarity with Chilean workers and their counterparts around the world.

Thank you.

STATEMENT OF PHARIS J. HARVEY, EXECUTIVE DIRECTOR, NORTH AMERICAN COALITION FOR HUMAN RIGHTS IN KOREA, ON BEHALF OF THE INTERNATIONAL LABOR RIGHTS WORKING GROUP, WASHINGTON, DC

Mr. HARVEY. Thank you very much, Senator. The provision we would like to support is also the labor rights amendment offered by yourself, Senator Harkin, and now Senator Heinz.

We support this on behalf of the International Labor Rights Working Group, as well as the North American Coalition for Human Rights in Korea, on the grounds that it recognizes that American workers are being pitted against foreign workers in an international production and trading system that is destroying the rights of both. My colleague, Lance Compa of the United Electrical Workers, who works with us in the International Labor Rights Working Group, has written very ably on the impact for American workers on this developing production and trading system in an article in last Sunday's Washington Post, which I would commend and ask, if possible, to be included in the record of these hearings.

Senator RIEGLE. We will make it a part of the record.

Mr. HARVEY. Thank you very much, sir. I would like to focus my remarks on the impact that this trading system has on the workers in South Korea. South Korea, whose economy has been praised for having developed rapidly in the past two decades by concentrating on export production, has according to the ILO the longest average work hours in the world, one of the highest industrial accidents and death rates and, according to the U.S. Department of Labor, the lowest wages of some 20 industrial countries. Despite the development in the past decade of industries requiring growing numbers of skilled workers, including the automobile industry, average wages in current dollar figures advanced in 10 years only from 48 cents per hour in 1976 to $1.52 per hour in 1986.

I might add that those wages are average, and production workers in the export industries that are most important in trade with the United States are considerably below those figures. This occurred at a time when the gross national product of South Korea was advancing from $18.7 billion to $92 billion per year.

During this same decade, as the industrial work force expanded by 40 percent, membership in organized labor declined precipitously from a high of 24 percent in 1977 to less than 16 percent of the work force in 1986. The reasons for these developments are not hard to find. They are rooted both in law and in government practice.

Last year, nearly 1,000 workers—labor union organizers—were imprisoned in South Korea for activities protesting the government's suppression of workers' rights. In the middle of November, every labor organization not related to the official Federation of Korean Trade Unions was ordered by the government to disband. A computerized black list is maintained by the government's police agencies to prevent any known labor activist from getting employment, this made possible by a pass system which is similar to that of South Africa. Workers found seeking employment using false passes or false identity cards are imprisoned routinely and, in case after case, have been subjected to harsh torture.

In 1986, the sexual torture of 14 female workers attracted a nationwide reaction. In the past two months, four separate cases of highly publicized arrests of groups of labor related individuals have been announced by police, with the claim that each of these groups was guilty of "attempting to overthrow the State by agitating to organize labor and build a class consciousness." These abuses of labor rights were given legal sanction by changes in South Korea's labor laws in 1980 that dismantled the industrial union structure and purged over 300 labor union officers from their positions.

It made it impossible for churches, Protestant and Catholic alike, to minister to workers in conflict situations legally and made the organization of independent unions virtually impossible and, finally, declared it illegal for labor unions to have any involvement in political activity.

In addition to these political and legal restrictions on labor rights, the use of brute force by companies or governments to prevent the formation of labor unions is endemic and is growing dangerously. In 1986 through the middle of November, the North American Coalition had received reports of 919 laborers imprisoned, 47 labor union organizers fired, 161 workers beaten by police seriously enough to require hospitalization, 24 workers tortured in prison, nine workers who committed suicide in protest of labor conditions, and one worker murdered while in police custody.

During 1986, South Korea experienced a growth in its gross national product in excess of 12 percent and a trade surplus with the United States of $7.41 billion. Behind these growth and export statistics are the damaged and stunted lives of the women and men who work extraordinarily long hours under degrading and unhealthy conditions for miserable wages and who, when they seek their basic, legally guaranteed rights, are jailed and vilified as pro-Communist agitators.

That, sad to say, is South Korea today.

It is the exploitation of this level of human misery, the hidden underside of the so-called economic miracle of Korean development, that from a human rights perspective this legislation attempts to address with the kind of leverage that might bring about real change. The U.S. market is important to South Korea. If the protection of labor rights is required for decent access to that market and particularly if the law requires no more of Korea than of any other nation, changes in Korea's practice are bound to occur. We solidly support the labor rights provisions, Senator.

Senator Riegle. Thank you very much. Mr. Harvey, let me ask you to indicate for the record what some of the labor practices are in Korea. You mentioned hours, unsafe working conditions, and so forth. Apart from the pattern of abuse and intimidation toward those who have tried to change working conditions, give us a description of some of what you consider to be the worst practices that are now before us that apply to workers in Korea.

Mr. Harvey. The most difficult problem facing some workers is the complex of restrictions against the right to organize. Workers are organized in a number of industries, but in union after union find that any ability of theirs to gain shop floor control of their unions or genuine worker control of their unions is stymied by a combination of company and government practices. Labor complaints addressed to the Labor Ministry are routinely ignored if addressed by workers, are routinely responded to if addressed by company and management. In the most severe cases, this is happening with increasing regularity in Korea.

Workers who organize within their local to press charges find themselves summarily fired. When they try to find other work, they find that they are blackballed. Then they are arrested on some sort of excuse by the government that they are agitating antigovernment activity.

Senator **Riegle**. Are children being used in places or jobs where they shouldn't be, in industrial settings and so forth? What is happening in terms of child labor in Korea?

Mr. **Harvey**. As far as we can tell, the labor statistics kept by the Korean government are not very adequate, and no one else has been able to do the kind of thorough study that gives us these statistics; but in smaller factories—and 85 percent of Korea's workers work in plants under 10 employees—in smaller factories, the use of child labor is continuing to be a major problem, which was recognized by the State Department in its country reports this year.

Senator **Riegle**. I am going to have you give us for the record any other specific instances which you consider to be inhuman work conditions that people are being forced to work under in Korea.

Mr. **Harvey**. I would be happy to do that.

[The prepared written statement of Mr. Harvey and the prepared information follow:]

PREPARED STATEMENT OF PHARIS J. HARVEY, EXECUTIVE DIRECTOR
NORTH AMERICAN COALITION FOR HUMAN RIGHTS IN KOREA

before

THE FINANCE COMMITTEE
THE UNITED STATES SENATE

March 18, 1987

Thank you, Mr. Chairman, for the opportunity to testify before this committee on the important matter of improving laws which address unfair trade practices. My name is Pharis J. Harvey. I am the executive director of the North American Coalition for Human Rights in Korea and today speak also as a representative of the International Labor Rights Working Group. On behalf of the Protestant and Catholic agencies which form the North American Coalition, and the human rights, religious and labor organizations which together constitute the International Labor Rights Working Group, I want to thank your committee for including in this hearing the perspective which we represent.

The International Labor Rights Working Group consists both of organizations focused on the rights of workers in the United States and those whose primary purpose is international human rights. We believe there is an essential linkage between welfare and justice for American workers and workers in other countries, and have advocated for legislation which strengthens the protection of international labor standards both here and abroad.

Protecting Labor Rights is Integral to Fair Trade. The provision of the pending trade bill we would like to address is the amendment to Section 301 proposed by Senators Riegle and Harkin, which defines the trade advantage derived by a foreign government's repression of internationally-recognized workers rights as an unfair trading practice and authorizes the President to take counter-measures to lessen its damaging trade impact on U.S. business and labor. Because we believe this measure to hold important long-range promise for improving the situation of workers both at home and abroad, we would urge your support.

Few efforts to cope with the serious trade problems of the United States have so rightly addressed the plight of the American worker as has this proposal. It is right for several reasons. First of all, it recognizes that American Workers are being pitted agains foreign workers in an international production and trading system which is destroying the rights of both. Workers in the U.S. are being asked to give up hard-won benefits and protections, day after day, by companies which threaten to move production facilities offshore unless labor capitulates. Workers in third-world countries face similar demands when they succeed, often in the face of brutal repression, in organizing labor unions and negotiating improvements in wages or work conditions. Few observers fail to recognize that the development of an international division of labor which takes advantage of the mobility of capital to shift production to countries with repressive labor conditions has undermined and weakened the American labor movement, and lowered the standard of living for millions of American workers in the past few years. My colleague in the International Labor Rights Work Group, Mr. Lance Compa of the United Electrical Workers Union, demonstrated the net effect of this decline in an important article in last Sunday's Washington Post Outlook Section.[1] I would like to ask your permission to have that article, a copy of which is attached to my prepared remarks, entered into the record of this hearing.

Second, it is right because it has universal application. Unlike some other trade remedies being proposed, it penalizes no nation simply for having succeeded in trading with the United States. Rather, it targets for counter-measure those few countries which have unfairly penetrated the American market with goods produced under conditions kept below a decent level by government actions to suppress workers rights. It counters what has rightly been called "social dumping," using social repression to gain unfair trade advantange.

And third, it is right because, unlike yet another group of trade remedied, it does not attach foreign competiton based simply on lower wage costs. Wages are, of course, set by many factors, including general economic level, cost of living, labor availability, skill levels, etc. What this proposal attempts is to remove from that equation the factor of political repression, to allow the economic and social factors to function without being artificially repressed at the point of a gun.

We do not believe that this labor provision by itself is an adequate answer to the serious disequilibrium in world trade. It is not a quick fix. We do, however, believe, that it contributes to an important long-range adjustment in the rules of trade, redressing the disadvantage that countries which respect workers' rights now face in competition with the ruthless, repressive regimes that are gaining market shares world-wide by forcing their workers to accept sub-human wages and working conditions, often in partnership with U.S. based multinational companies that continue to move production around the globe in search of the cheapest labor costs. Until and unless the international trading system takes measures to redress unfair labor practices in the same way it has corrected unfair use of national capital or taxation to influence trade, American workers will continue on a downward slide into unemployment and poverty. Recovering competitiveness for American workers requires more than re-training them for new kinds of work. It requires the recovery of fair international conditions in which they compete. The labor rights amendment attempts to do this.

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[1] "So We Have More Jobs--Low-Paid, Part-Time Ones", Washington Post, March 15, 1987, p. C1.

The Need for GATT Reform. It is also certain that the United States cannot combat the rising tide of labor repression in newly industrializing countries solely through unilateral measures such as the Section 301 trade remedies. Thus, along with the provision to define labor repression as an unfair trade practice, both the Harkin and Riegle amendments direct the Administration to negotiate within the current GATT round for a multilateral agreement on a "social clause."

We believe that both aspects of this provision should be supported. Section 301 enables the U.S. Government to counter particularly offensive practices toward workers by overseas when they unfairly influence export prices and to use some genuine leverage, access to the U.S. market, to seek improvements. GATT agreement on a "social clause" would codify a multilateral approach to the problem and help to bring about uniform and fair enforcement.

The GATT proposal has been heatedly resisted by many governments, especially those which have gained trade advantage through the inhibition of labor rights. It has also been resisted by governments who fear it is a kind of "camouflaged protectionism" that would be used selectively as a weapon against countries with trade surpluses. We recognize that if unfairly administered, this provision could, like any other trade remedy, become a protectionist tool. However, the likelihood of abuse of the labor rights provision is no greater than that of other types of unfair trade practice remedies. In fact, we believe that the adoption of multilateral agreements will lessen any temptation to apply it in an unfair manner.

At the same time, adopting the labor rights standards in Section 301 will signal to our trade partners our seriousness about combatting the kind of abusive labor conditions that are destroying the human dignity of workers overseas and undermining the rights of workers at home and lend urgency to the task of developing multilateral remedies.

Critics of this bill have raised several questions. I would like to respond to the most frequently voiced:

1. Does this bill force U.S. standards on other countries? It has been suggested by some Administration spokespersons that this provision is an attempt to force U.S. labor standards on the world. That argument is, as the distinguished members of this committee know well, completely spurious. The labor standards which are referred to in this law have a long history of acceptance and compliance not only by the United States but by a majority of the nations of the world, which have codified them in international law through the International Labor Organization and other multilateral intergovernmental bodies. The first four basic rights enumerated in this bill, namely the right to organize freely and to bargain collectively, freedom from forced labor, and protection of children in the work force, have each been defined in ILO Conventions ratified by more than 90 nations, and are paralleled by U.S. law in those areas unratified by the United States for reasons of constitutional delegation of powers in our federal system. The fifth area, "acceptable conditions of work with respect to

minimum wages, hours of work, and occupational safety and health," is less uniformly codified than the others, due to greatly varying levels of development and cultural differences, but has been found to be a good index of the level of labor repression when viewed in conjunction with the other four rights.

The Reagan Administration has, in fact, already endorsed the concept of international labor rights in its decision to enforce the labor rights provisions in the Generalized System of Preferences. In January this year, Nicaragua, Paraguay and Rumania were removed from that program due to the Administration's judgment that labor rights in these countries did not meet these same international standards. Chile was placed on notice to make improvements within the next year or face loss of beneficiary status.

2. Can it be effectively enforced? Other critics of this provision, concerned with getting some real and immediate progress in U.S. trade relations, have expressed doubts about whether these labor rights provisions would lead to sufficient reform fast enough. Certainly no major reforms will occur unless the Administration shows a serious interest in implementing this law. With lackadaisical enforcement, the provision will of course have minimal effect. However, even a lackluster *pro forma* enforcement of the GSP-related labor rights provisions has demonstrated the power to put repressive governments on notice and wring at least token responses from them.

The experience of the first two years of the revised GSP program is illustrative. Despite an attitude in the Reagan Administration that could at best be called reluctant to enforce the labor rights clause, governments such as South Korea reacted with such sensitivity that the entire subject was forbidden from mention in the Korean press during the two-year-long GSP negotiating process. Every other aspect of trade-related conflicts between the U.S. and South Korea, such as import restrictions, intellectual property rights or barriers to U.S. investment, received widespread coverage in the Korean press. Labor rights was never mentioned, either in the news or to opposition members of the National Assembly, who were kept unaware of any pressure from the Reagan Administration to improve Korea's labor rights.

Nevertheless, following recommendations from the U.S. Department of Labor *almost to the letter*, the Chun Doo Hwan government agreed in late December last year to several minor improvements, about two weeks before the GSP decision was announced. These included allowing national unions to advise local unions in conflict resolution and the adoption of a plan to establish, sometime in the future, a minimum wage system and to budget for more adequate factory safety inspections. These few steps were considered by the Administration as sufficient to qualify Korea for beneficiary status, despite the fact that the State Department in its just-published **Human Rights Country Report** concludes that "these (labor) rights are circumscribed by both labor-related laws and practice", and notes the widespread imprisonment of workers in connection with labor disputes.

Had the Administration insisted on more substantive steps, it is quite likely that Korea would have complied with some genuine improvement. If these measures had been demanded in connection with overall trade access and not just in the GSP program, the incentive for real labor improvement would have been considerable.

3. *Isn't it unfair to ask poor countries to adopt the standards of richer countries in protecting labor?* A final criticism of the labor rights clause is based on the idea that repression of labor rights is basically a function of the level of development. The poorer a country, the worse its labor practices are assumed to be, according to this view. With general economic growth, the protection of labor rights will gradually improve. Thus steps to pressure governments to improve workers rights prematurely only impede the progress and actually hurt the workers, it is argued.

This thesis, advanced by a number of newly industrializing countries such as South Korea, is persuasive at first glance. However, the Asian experience is rather different. Some of the poorest countries in Asia such as India and Papua New Guinea have carefully protected labor rights both in law and practice. The most serious abusers, on the other hand, are the moderately wealthy export-driven industrializing economies such as South Korea and Taiwan, and to a lesser extent, Indonesia and Thailand. **Labor abuse appears to be primarily a function of the type of development, not the level. And it appears to be the product of government decisions to suppress wages and domestic consumption for the sake of lowering export costs.**

Labor Repression in South Korea. Let me turn briefly to what this means for workers in Korea. South Korea has, according to the ILO, the longest average working hours in the world, and one of the highest industrial accident and death rates. Furthermore, as the Korean economy has advanced in recent years, working hours have increased, rather than levelling down toward the averages found in other industrial states. In 1986, industrial production workers averaged 55.3 hours per week[2], and 90 - 100 hour weeks were common in the garment and textile industries.

Studies by the U.S. Department of Labor show South Korea to have the lowest wages of some twenty industrial countries. Despite the development in the past decade of high tech industries such as steel, transportation equipment and shipbuilding requiring growing numbers of skilled workers, average wages (in current dollar figures) advanced in ten years only from .48 cents per hour in 1976 to $1.52 per hour in 1986.[3] This occurred during a decade when the gross national product of Korea was advancing from $18.7

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[2] ROK Economic Planning Board statistics cited by Yong Dong Po Urban Industrial Mission News Letter, Vol. 1, No. 1, July, 1986, p. 3.

[3] "Hourly Compensation Costs for Production Workers: All Manufacturing, 34 Countries, 1975-1986", unpublished data prepared by: U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, February, 1987.

billion[4] to $83 billion.[5]

During this same decade, as the industrial work force was expanding from 2.7 million workers in 1976 to 3.8 million in 1986, the membership in organized labor declined precipitously from a high of 24.1 percent of the workforce in 1977 to 15.7 percent in 1985.[6]

The net result of this decline in the labor movement was graphically illustrated by a labor survey published earlier last week in Seoul. According to the Ministry of Labor, of 346 industrial plants in the Seoul-Inchon area with more than 100 employees, 167 or 42 percent of them paid their employees less than 100,000 won ($112) per month). In sixty of these factories, the work week exceeded 60 hours per week.[7]

The reasons for these developments are not hard to find. As the State Department has noted, "Under the Constitution, workers are guaranteed the rights of independent association, collective bargaining, and collective action. These rights, however, are circumscribed by both labor-related laws and practice and do not extend to workers employed by the Goverbnment, public utilities, defense-related industries, or firms that 'exercise great influence on the national economy.'"[8]

Last year, nearly one thousand workers and labor union organizers were imprisoned for activities protesting the government suppression of workers' rights. In the middle of November, every labor organization not related to the essentially government-controlled Federation of Korean Trade Unions, was ordered by the government to disband. This included fourteen organizations, including city labor federations in Seoul, Inchon, Anyang, Kuro Industrial Complex and elsewhere, the Christian Labor Federation, the Chun Tae Il Memorial Labor Center, and five church-based night schools for workers. A computerized "blacklist" is maintained by the government's police agencies to prevent any known labor activist from getting employment. Workers found seeking employment using false identity cards are imprisoned routinely, and in case after case, subjected to harsh torture. In 1986, the sexual torture of fourteen female workers attracted a nation-wide reaction, but apparently brought about no reform.[9] In the past two months, four separate cases of highly publicized arrests of groups of labor-related individuals have been announced by police with the claim that each of these groups was guilty of "attempting to overthrow the state by agitating to organize labor and build a class consciousness."

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[4] Hapdong News Agency, Korea Annual 1978, p. 126.

[5] Il Sakong, "Korea's Current Economic Performance and Policies", Korea Economic Institute, February 13, 1987, p. 6.

[6] Korea Herald, January 31, 1987.

[7] Korea Herald, March 12, 1986.

[8] State Department, Country Reports on Human Rights Practices for 1986, p. 752.

[9] Amnesty International external bulletin, "Republic of Korea: Brutal and Degrading Treatment of Women Workers by Police", July 8, 1986.

These abuses of labor rights were given legal sanction by the amendment of South Korea's labor laws in 1980 in order to:

1) dismantle the industrial union structure and divide the labor movement into thousands of individual company unions;

2) make it virtually impossible for workers to organize new labor unions or to seek legal redress of grievances by barring all persons not employed in an individual company from involvement with workers in that company in either organizing trade unions or negotiating labor conflicts;

3), carry out the wholesale purging of the labor movement's leadership in the name of a "purification of corrupt elements";and

4) to make it illegal for labor unions to support any political party or engage in any political activity.

In the period since 1980 these legal charges have been augmented by:

1) a vast increase in the number of secret agents and police to conduct surveillance and control of the labor movement; and the increasingly frequent use of the National Security Law, designed to prevent activity that supports North Korea, to penalize workers or labor organizers from educational activities about the plight of workers in South Korea.

These changes were aimed particularly at isolating the many religious organizations that had attempted in the 1960s and 1970s to assist newly urbanized workers adapt to an industrial environment and protect their legal rights, and to prevent an active student movement in the 1980 from allying with workers to press for basic political and economic reform.

Furthermore, the labor laws that exist are routinely flouted. According to the State Department, despite laws restricting minors under age 18 from work except under carefully regulated conditions, "the employment of minors is widespread, particularly in labor-intensive industries such as textiles, footwear, and small electronics assembly, and abuses of legal protections are common."[10]

A strong body of evidence from human rights groups suggests that in addition to these political and legal restrictions on labor rights, the use of brute force by companies or government to prevent the formation of labor unions is endemic, and growing dangerously. In 1986, through the middle of November, the North American Coalition had received reports from credible sources of 919 laborers arrested, 47 labor union organizers fired, 161 workers beaten by police or company-hired thugs seriously enough to require hospitalization, 24 workers tortured in prison, 9 suicides by workers to protest labor conditions, and one worker murdered while in police custody. In addition, 17 major incidents of police interference, disruption, harassment or blockage of church ministries to workers were recorded during this period. At the year's end, the National Council of Churches in Korea estimated that 150 or more laborers remained in prison, charged in incidents related to labor conflicts.

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[10] 1986 Country Reports on Human Rights, p. 757.

A chronology of labor incidents in South Korea in 1986 is submitted with this testimony. I would be pleased to have it entered into the record.

These repressive measures together with the computerized tracking and "blacklisting" of labor union activists are, ironically, having an unintended effect of creating a large sub-culture of radicalized workers who are unable to find legitimate work. Thousands of workers are being driven into an underground culture of radical protest out of desparation to survive.

The "reforms" announced at the end of 1986 in response to pressure for eligibility for the GSP program only slightly modified this structure, both positively and negatively. On the positive side, the official (and only legally-recognized) national union federation, the Federation of Korean Trade Unions, is no longer considered a "third party" proscribed from contacting local labor unions, although the churches continue to be banned from any such activity. Foreign-owned companies are also no longer privileged with special bans on strikes beyond the almost total de facto ban which affects all Korean-owned companies. And the government has promised, at some indeterminate time in the future, to institute a minimum wage system and to improve the inspection of factories for idustrial safety.

On the negative side, the coal mining industry, one of the most strife-torn and accident-ridden, and which, historically, has had fairly strong unions, has been declared off-limits to labor unions, on the grounds that it is now an industrial essential for national economy.

During 1986, South Korea experienced a growth in its gross national product in excess of 12 percent, and a growth in trade imbalance with the United States to over $7.41 billion.[11] These facts are not unrelated to the intensification of labor repression and the decline of labor unions. Despite the recent increase in exports to the United States of higher technology products such as automobiles and computers, the preponderance of Korean exports continues to be in products made in labor-intensive industries with extremely low wages and the full panoply of police power available to keep them low.

The following table for 1984 illustrates the predominance of labor-intensive exports to the United States:

[11] Mainichi Daily News, February 4, 1987.

South Korean Exports to the United States[12]
1984

Total exports to U.S.	$9,353 million	100%
Manufactured goods	1,932	20.6%
Machinery	2,682	28.6%
telecommunication	(1,099)	(8.5%)
electrical	(1,226)	(13.1%)
office machinery	255	(2.7%)
Transport equipment	45	0.5%
Clothing	2,253	24.1%
Footwear	936	10.0%
Total of labor-intensive goods		79.0%

Behind these export statistics are the damaged and stunted lives of women and men who work extraordinarily long hours under degrading and unhealthy conditions for miserable wages, and who, when they seek their basic legally-guaranteed rights, are jailed and vilified as pro-communist agitators. That, sad to say, is South Korea today.

It is the exploitation of this level of human misery, the hidden underside of the so-called "economic miracle" of Korean development, that from a human rights perspective this legislation attempts to address. But this effort is not solely for idealistic or altruistic reasons. Our democratic values can only be sustained in an international climate where they are shared. The same is true of our prosperity, as we are coming increasingly to recognize when we notice the standard of living of American workers declining in the face of overseas competition. This legislation, perhaps more adequately than any other existing instrument of human rights policy, demonstrates that linkage between our own level of justice and welfare and that of our neighbors. For the sake of workers both in the United States and in countries like Korea, where repression of the many is enriching the few, I urge you to support the labor rights provisions of the 1987 Trade Act as proposed by Senators Riegle and Harkin.

Thank you.

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[12] U.S. Department of Commerce, Exports and imports of Leading Commodities, 1984.

SUNDAY, MARCH 15, 1987 The Washington Post

So We Have More Jobs—Low-Paid, Part-Time Ones

By Lance Compa

EVER SINCE the Depression, one statistic has grabbed headlines—the national unemployment rate. It makes and breaks politicians. Television newscasters speak of it in tones of near-religious awe.

But we're being had.

President Reagan boasts that his administration's Great American Job Machine has put 13 million more people to work and will create 20 million more jobs by the end of this century. Today, the highest share of the working-age population in our history is on the job—more than 60 percent. The unemployment rate has dropped from a post-1930s high of 11.4 percent in the 1981-82 recession to 6.7 percent in the figures for December through February.

This all sounds fine, until you look at the reality in back of this cherished statistic.

There may be more jobs, but more and more they're low-paying jobs with short hours, small benefits and bleak futures. We've seen the same thing happen to the American job that happened to the American dollar when it was gutted by inflation—there are more of them around, but they bring home a lot less bacon.

Almost a third of the new jobs since 1980 are part-time. Three-fourths have been filled by people wanting full-time work. Six million American part-timers want full-time work and can't find it. Two-thirds of them make the minimum wage, and 85 percent have no health insurance from their employers.

A Joint Economic Committee report by Barry Bluestone of the University of Massachusetts and Bennett Harrison of M.I.T. compares net new jobs created between 1973 and 1979 to jobs formed between 1979 and 1985. In the first period, 20 percent of the new jobs paid at or near the minimum wage—now just under $7,000 a year. In the second period, however, low-wage jobs appeared at more than twice that rate: 44 percent of new jobs in the Reagan years paid $7,400 a year or less for those working full time.

See UNEMPLOYMENT, C2, Col. 1

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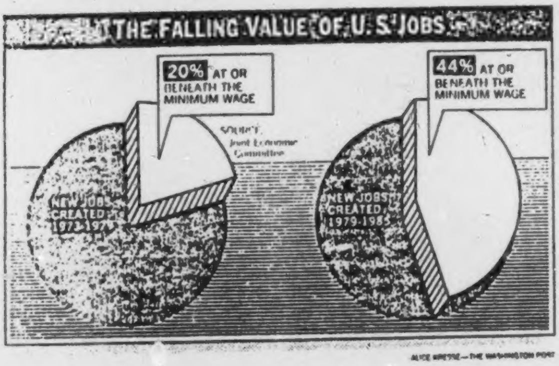

Well, goes the rebuttal by conservative economists, that just reflects the influx of women and teenagers into the workforce. They prefer service-type work that lets them move in and out of the labor market, and low wages are the reward for inconsistency and inexperience. But women have actually done *better* than men in the Bluestone-Harrison study; two-thirds of the net new jobs for men between 1979 and 1984 paid $7,400 or less, compared to 31 percent for women.

Granted, there have been complaints about the validity of the unemployment number in the past. Liberals have charged that it ignores people who quit looking for work, while conservatives argued that it misses those who are working "off the books" in cash-only transactions ranging from house-cleaning to illegal drugs.

But the real problem with the unemployment rate is that we've devalued American employment in order to have more of it. While corporate stock prices soar to new highs, the working class is paying for this situation.

Practically every measure of income and relative status—except for the unemployment rate—reflects a sharp decline for the American working class. Studies compiled by the Economic Policy Institute indicate that all the net gain in jobs in the past six years has come in the service sector, where the average pay is below $14,000 a year. The average pay of jobs lost in the manufacturing and construction industries was over $20,000 a year.

Median household income and mean family income are 5 percent below 1980 levels despite the infusion of women and teenagers into the workforce. Only per-capita income levels have risen slightly because husbands and wives who must both work to pay their bills are having fewer children.

In 1985 more American families had incomes below $20,000 or above $50,000 a year than fell in between. It was the first time in decades that the broad "middle"—if we take the $20,000-50,000 standard in constant dollars—became a minority of the population. The minimum wage, stuck at $3.35 an hour for six years, has lost more than 25 percent of its purchasing power since 1980. Probably 20 million workers labor at the minimum wage or in businesses that peg wages to a few cents an hour above the minimum.

Administration spokesmen from the president on down can brag all they want about lowering unemployment. Deregulating business, declaring open season on trade unions by smashing the air traffic controllers union, holding down the minimum wage below poverty levels, the Reagan administration is simply letting employers exploit more workers for greater profits. Obviously, under these conditions, employers are going to make work available. But we don't have to agree that it's a great thing.

In the current anti-labor atmosphere, half the major labor contracts have contained some form of wage cut, freeze or other concession. In 1986, deferred wage increases in collective bargaining agreements—the second and third year raises that really determine if workers will gain, stand still or fall behind—were smaller than the year before for the fifth year in a row. New contracts provided pay hikes averaging 1.2 percent in the first year and 1.8 percent annually over the life of the contract, the lowest increases since such data were first compiled in 1968.

Many strikes have been broken with replacement workers or ended with a threat of strikebreaking, and many more concessions have been forced on workers under the same menace. Despite the Great Job Machine and the supposed availability of work, there are millions of workers earning $10,000 a year who for a 50 percent pay increase will cross a picket line of workers paid $20,000 on strike against a cut to $15,000. Here is the real division in the working class: the fight over smaller pieces of the pie as more workers slide from the presumed "middle" toward the economic bottom.

For decades young American workers could aspire to a good job at a stable company. Where I grew up, it was at Eastman Kodak or Xerox or General Motors' Rochester Products division. Kodak and Xerox never laid off; at other manufacturers, hourly employees could expect a few cyclical layoffs, protected by unemployment insurance, until they could build up enough seniority to stay on the job until retirement. White-collar workers didn't worry about layoffs and could advance to mid-level and upper-management jobs.

Not any more. Kodak has laid off 10,000 workers in Rochester. One of them, a young woman laid off from a $9-an-hour assembly-line job in late 1985, looked for work for nearly a year before she found a part-time, minimum-wage job as a cafeteria cashier at Brockport State college, barely enough to support her five-year-old daughter.

"I think it stinks," she says. "It's like I'm sinking, sinking fast. I keep wondering: am I ever going to be able to make that money again?"

One computer programmer laid off from Xerox in 1982 still works there full time as a temporary employee, paid 20 percent less than he was making before, with no benefits.

About 15 million workers have lost their jobs in the past decade due to plant shutdowns, product-line transfers or other business closings. Most of those were making more than $20,000 a year in durable-goods manufacturing. When they got new jobs, often after a year or two on layoff, they took big pay cuts closer to the $14,000-a-year service pay average. The cuts are collar-blind, too. They do not just affect blue-collar assembly-line workers; they hit white-collar and pink-collar support staff, engineers and designers, sales people and mid-level managers.

Of course there are many opportunities for specialized programmers and systems analysts, but chip-makers and semiconductor manufacturers are moving production operations overseas. General Electric is moving electronics production to Asia and Mexico while it shuts down turbine operations in New York and Massachusetts. AT&T has shifted telephone manufacturing to Singapore and announced the layoff of 30,000 managers and technicians in other business lines. Westinghouse has announced plans to close a busy, profitable large circuit-breaker plant in Bridgeport, Conn., putting hundreds of employees out of work to shift operations to the Dominican Republic.

These are not money-losing, dying companies. They are Fortune 500 giants where steady work for production, white-collar and middle management employees paid $20,000-$40,000 a year. In its place, those workers might collect unemployment compensation, get counseling on how to write a resume and dress for an interview, perhaps get retraining allowances for new jobs that don't exist, then finally find work in the Great American Job Machine for half what they made before. The unemployment rate will never reflect this reality.

Nor will it reflect that workers no longer can have their parents' expectations for a brighter future. In 1950 and in 1960, a 30-year-old man who made what would today equal $18,000 a year would likely double his pay in 10 years. In contrast, a 40-year-old today is where he was 10 years ago, if he's lucky. His family's standard of living might hold up, but only because he's moonlighting, his wife is working and his teenage children are working too.

Of course, this scene reflects an intact family. The difficulties mount for single-parent households and mixed families. At this point, many liberal analysts move on to the plight of women and minorities. There is a danger here, though, of seeing workers divided into a white male aristocracy at odds with minorities and women. However plausible this view may have been (it's hard to conceive of aristocrats on $20,000 a year), the latest Labor Department figures show white males plummeting toward the pay and benefit levels of their women and minority counterparts.

Instead of a secure middle class we have an American working class whose wages are dropping, whose good jobs are disappearing and whose whole families have to work to make ends meet. Much of the vaunted middle class is looking at a future closer to the underclass nightmare than the American dream, but the unemployment figure on the nightly news remains the mark by which we measure the well-being of the people who actually do the work in this country, rather than those who simply devise new ways to profit from their investments.

It sounds odd, talking of a working class in the United States. The phrase evokes pictures of French communist factory hands, not the yeoman farmers of our Jeffersonian tradition or what was, until recently, our oversold image of a middle class autoworker with two cars, a boat and a summer house. But we do have a working class, the vast majority of Americans who make their living on a periodic wage paid by an employer. President Reagan telling them to rejoice because 13 million new jobs have been created on his watch adds insult to injury for the millions of Americans who have lost their jobs and had to take the lousy jobs he's boasting about.

Ridiculing the concern for job quality as "Economics Propaganda 101," economics columnist Robert J. Samuelson calls the notion that the U.S. economy is producing too many dead-end jobs "economic fiction." Acknowledging "pockets of distress" and "individual suffering," Samuelson maintains that "in an economy of 111 million workers, their overall social significance is diluted."

The argument pays scant attention to the fact that today's "good" 6.7 percent unemployment rate is actually higher than the rates we deplored so loudly during the 1958, 1961 and 1971 recessions. With each turn of the business cycle, the peaks and valleys of the unemployment rate move up. Here's how decade-long averages have climbed: in the '50s, unemployment averaged 4.5 percent; in the '60s 4.8 percent; in the '70s 6.2 percent and in the '80s, so far, nearly 8 percent.

Samuelson writes reassuringly that "the average jobless spell is now less than four months." But that is the same length of unemployment that prevailed in the 1975-76 recession with unemployment near 9 percent and only a month shorter than the average time off the job after the 11 percent joblessness of 1982. However, only a third of laid-off workers collect unemployment-insurance compensation today, compared to over 70 percent a decade ago.

Where is it going to end? Perhaps with a U.S. economy more like that of Brazil, with a small group of wealthy capitalists, a sizeable—but minority—sector of professionals and skilled technicians running high-technology businesses and services, and a vast mass of sullen, low-paid production and service employees. In a report to the AFL-CIO's Industrial Union Department, economist Larry Michel shows that incomes from dividends and interest have been increasing at twice the rate of workers' wages in the past decade.

But perhaps we are headed instead for a settling of accounts. Not Marx's final conflict, but the periodic corrective that comes when Amrican workers decide they have been pushed too far. Every few decades, common Americans get fed up with business dominance and push back, first with political reform , as in the eras of Populism or the New Deal, then by building trade-union organizations, as with the consolidation of the American Federation of Labor in the 1890s and the mass organizing drives of the CIO in the 1930s.

In 1988 and 1990 and 1992, political aspirants—and union organizers too—can win elections by stressing forthrightly the interests of American workers counterposed against the interest of investment bankers, corporate takeover artists and golden-parachuting boardroom big shots. Indeed, a Democratic presidential candidate who moves boldly to capture working people's disaffection and proposes thoroughgoing reforms could sweep into the White House next year.

Talk of "workers" and "Wall Street" and "economic royalists" may sound hoary to jaded political ears, but these might be the themes that play in Peoria—which, as it happens, is a city where thousands of workers have lost their jobs at Caterpillar and other farm equipment plants since 1980.

To win, a reform Democrat has to debunk claims about the great job-creating machine and go beyond the old arguments about unemployment to press cures for ill-employment. Instead of jobs, jobs, jobs, candidates have to talk about better jobs, for better pay, with brighter futures.

APPENDIX:

SOUTH KOREA

CHRONOLOGY OF LABOR INCIDENTS, 1986
(January - November)

JANUARY, 1986

21 -- Gae Yang Electric Company fired two workers who protested unpaid wages. The two continued to protest submitting a petition letter to the Anyang Labor Department office and showing up to the factory. Police forcibly removed them, Labor office refused to respond to their complaint.

27 -- Han Sun Sook and three others of the Tae Kwang Electronics Co. union were sentenced. Han received a 1 yr term, the other three 10 months.

20 -- Methodist officials in Kwangmyung City expressed their concern about a systematic campaign by police to intimidate people from attending Wonkok Methodist Church, a new congregation formed in September 1985 whose members are primarily laborers in the area. On the 20th, church member Kim Young Man, who is employed at Pacific Products Co. and Kim Jong Ja and Pak Jin Ohk were dismissed from their company without any apparent reason. It was reported that at the same time Pacific Products Co. distorted the activities of the church, calling it an impure organization. On the afternoon of the dismissal of these workers, the Kwangmyung Police arrested these three women and again slandered the church. Kim Young Man protested against this unjust dismissal, but the company officials responded by beating her. the scars were still visible after three weeks.

31 -- Laborers sentenced in January trials: CHAE Han Bae and SON Hae Kyong, dismissed workers of Daewoo Apparel Co., were sentenced to 1 1/2 years imprisonment for their activity in protesting their dismissal. Sun Il Textile Co. labor union chairman KIM Hyun Ok was sentenced to 1 1/2 years, three years suspension, and JONG Young Hui, member of the union received a one year tem, with a two-year suspension of execution.

FEBRUARY, 1986

5 -- Lee Byung Oo, a street cleaner in the Songdong District of Seoul, was found dead of suicide. Lee was reported to have been despondent over the fact that he could barely feed his family on his 180,000 won monthly salary and could not pay the tuition fee for his third son to enter middle school.

8 -- Seoul Police turned over to the prosecutor Kim Chong Sup, head of production at the Wando Co. Kim is to be charged under the law on violence for striking one of the female workers in his factory after she protested having to work through the night and asked for her unpaid back wages. In January, the Wando Co. did not pay its 150 workers and for lunar new years gave each work only 35,000 won for "travel money" for the holiday but continued to force them to work nights.

12 -- Eight fired workers from Ban Wol industrial zone occupied the

office of the new Korea Democratic Party, demanding action in National Assembly about the plight of workers. Police broke up the sit-in with violence, including the firing of water hoses from fire trucks into the offices of the NKDP, causing the hospitalization of one worker. Angry crowd of citizens swelled to 1,000 to protest the police violence.

19 -- 32 leaders of the Korean methodist Church (CHoongboo Conference) issued a declaration strongly condemning the recent suppression of mission by the Kwangmyung Police at the Wonkok Methodist Church. The statement demanded also an end to the inhuman treatment of laborers and the use of force and slander and the reversals of the firings of seven workers who attend the church. the declaration called for the fired workers to be rehired and for the immediate improvement of the terrible working conditions at the companies in the area.

20-21 -- Plainclothes agents from the Kwangmyong Police Station broke into the home of the head of the Panwol industrial zone chaplaincy, Cho Yuh Ok, and without a warrant ransacked her room and then took her and a JOC (Young Catholic Workers) member with them. The police held them without charges for about 4 days. Ms. Cho was later summarily sentenced to 2 days in jail, and KYE In San, JOC member, was placed under arrest for distributing materials.

26 -- police raided Yongdongpo UIM, seized truckload of documents, took three staff members for interrogation.

27 -- 1,000 women workers of Inseong Electronics Co. in Inchon had a street-demonstration demanding a living wage and improvement of working conditions. Demonstration crushed by police violence.

28 -- Inchon UIM planned to hold a prayer and countermeasure meeting, but police violently prevented meeting; EYC member in charge arrested.

MARCH, 1986

Suppression of the labor movement in the Ban Wol Industrial Zone underway. Zone includes about 600 factories with 50,000 workers, mainly in heavy chemical industry. Low wages, longer work hours and bad working conditions prevail. Factory closures common.

Individual company incidents at Banwol include:

Pacific Corporation, toy producer, basic wage W2,600/day, no holiday, 11-12 hours per day, 2-3 times extra work without pay per week. One day off deducts three days' wages. Worker who gathered for discussion of improving working conditions were fired. 7 workers expelled, those who protested against the unjust firings were beaten by 10 company officials to the extent that 2 weeks medical treatment were required.

Gaeyang Electric Co.: fired two workers who protested against failure to pay back wages.

Hankuk Electronics: did not pay pension or give monthly or yearly holiday. Workers who demanded just treatment were fired.

Wonkok Catholic Church: had classes in Chinese characters for laborers. Police invaded church, took teacher and workers to police station for torture and interrogation. WORKERS who studied in the class were fired from jobs.

Wonkok Methodist Church: operated class for workers in Chinese characters. Police threatened the owner of building to cancel rent contract; forced factories to fire workers who attended classes.

3 -- Inchon UIM began one-week prayer vigil in protest against YDP UIM seizure and arrests.

4 -- Four persons related to the Inchon Christian Laborer's Association were detained, including Kim Chul Ki and Song Kyu Eui. They were being investigated for distributing leaflets in front of the Pupyung Industrial District in Inchon in support of the wage struggle of the Christian Laborers Association. Song was summarily sentenced to five days, Kim and three others to three days and a fourth person was released.

6 -- Eight workers in Panwol City, who had been dismissed from their jobs at the Pacific Products Co. for attending Wonkok Catholic and Wonkok Methodist Churches occupied the Anyang Office of the opposition New Korea Democratic Party. While being forcibly dispersed by police using high pressure water hoses, one worker fell from the third floor, sustaining very serious injuries, breaking arms, legs and teeth.

The workers statement of request to the NKDP revealed that several companies, including Pacific Products, Kye Yang Electric, Tongby Metals, Tongkwang Mfg. Co., Shin Chang Electric, and Hankuk Electronics, have recently fired, beaten, and had some of their workers arrested. The workers demands included: release of all imprisoned laborers, an 8-hour day, at least 4,000 won a day minimum wage, the guarantee of the right to strike, the abolition of the military dictatorship, an end to business monopolies and the elimination of the foreign debt.

7 -- Park Young Jin, worker at Shin Heung Precision Co. in the Kuro industrial complex in Seoul, petitioned for increase in wages. Shin Heung is notorious for its low wages (3,080 won per day) and its cruel unfair labor activities. Extra work is forced on its 450 employees without any additional compensation. Workers who protest are beaten, threatened and expelled. The company reportedly has a connection with the brother of president Chun Doo Hwan.

9 -- police blocked peaceful march on last day of Inchon UIM prayer vigil and arrested six UIM members, including Kim Jeong Taek, general secretary of UIM.

10 -- Again, Park Young Jin distributed petitions at the Shin Heung Precision Co., along with other workers.

10 -- LABOR DAY: Korean Christian Workers League organized a program for Labor Day, with about 1,000 workers in participation. Afterwards, a 2-hour demonstration and confrontation with police occurred. 700 workers in the Workers Welfare Association organized another meeting in a Catholic church.

In Inchon, the Inchon Labor Federation planned to hold a rally at Gaeyang temple, but police interfered. Rally moved to Jeon Dung Temple, where 300 workers were surrounded by 1,300 police. Confrontation continued until 3 a.m.

In Sungnam , laborers held a Labor Day celebration at the Chumin Church. They demanded: an 8-hour day, a living wage and improved living conditions.

The Labor Ministry's March 10 (Labor Day) statement noted that in 1985, 1,274 laborers were tried on labor-related issues; of these 97 were imprisoned, 96 were indicted without detention, 402 were sent to summary court and 679 were released with warning.

11-- All six Inchon UIM members arrested on the 9th were released.

11 -- Over 100 workers at the Tae Han Kwanghak Co. in the Kuro Industrial District (Seoul) demonstrated in front of the company's gate, demanding increased wages, an end to the illegal firing of workers, etc. That day about 30 workers, including 8 who had been fired, wore clothes with slogans on them such as "increase daily wages by 2,800 won a day to 4,500 won a day" and "stop illegal firings." They were going to enter the factory when they were stopped by guards and some fellow workers. Background: On March 6, eight workers condemned the company union for being a pro-government union. their names were removed from the union list. They were fired for breaking the company's rules. The police are investigating 23 persons who took part in the demonstration.

12 -- About 600 workers of the Korea Textile Co. gathered in the company dormitory and dining room and began a sit-in strike demanding that the company continue operation. This company, which is a branch of the Yu Han Co., announced that it was to shut down on Feb. 28. On March 12, however, the president and director of the company agreed to extend the deadline until March 20 in order to allow for further discussions with the workers. After this announcement the workers voluntarily dispersed.

15 - At Tong Yang Footwear Factory in Pusan, women workers came to work with "unite" written on their clothes, in support of a wage increase of 2,080 won ($2.36) per day, and an end to discrimination. However, the company mobilized a gang of men who led these workers away, detaining them illegally, abusing the women workers with violence and foul language. The women were stripped to their underwear and subjected to more unspeakable abuse, threatened with rape by five gangsters hired by the company. The company rewarded the people who perpetrated these abuses with five days holiday. On the other hand, two workers were jailed, six received summary sentences, and many more were forced to resign. All seven officers of the workers' organization were sentenced to seven days in jail. Despite this treatment, the 7000 workers at Tong Yang continued their struggle for a liveable wage and humane working conditions. Requests to the police to prosecute the gangsters who subjected the workers to sexual abuse were ignored.

17 -- Park Young Jin, on strike for increasing the wage at Shin Heung Precision Industry from 3,080 ($3.30) to 4,200 won a day, burnt himself to death. Police, who had intervened in a meeting of workers to plan a collective action, chased him to the roof of the factory building, where he threatened to set himself afire if they did not leave. The police urged him

to do so, and then refused to allow any of his friends to come to his rescue. He died at 3:00 a.m. the next morning. His family was not allowed to bury his body, which was cremated by police on the 18th.

17 -- Two workers from the Shinheung Precision Co. who had joined Park Young Jin in the protest against inhuman wages at that company, were arrested under the Law on Assemblies and Demonstration. Four others were indicted without detention, and one other was being sought by police.

18-26 -- 130 workers of the Sungwoo Trading Co. held a sit-in demanding higher wages and severance pay. They charge that the head of the company ran off to Japan leaving 300 million won in unpaid bills. Company official tried to hide the facts from the workers who had not been paid in two months and were owed 150 million won in severance pay.

19 - some 100 workers held a demonstration in the vicinity of the Kuro Industrial Estate as a memorial and protest at Park Yong Jin's death. Two people were seriously injured and eleven were jailed.

20-22 -- 150 members of the labor union of the Fire Insurance Co. of the Hyundai group, staged a sit-in at the office of the National Finance Workers Labor Union. An agreement with the company was reached on March 22 and the sit-in ended. The sit-in had begun in protest against an order by the company to transfer 43 employees, including the vice chair of the newly created union, to rural area branches.

22-25 -- Some 70 workers held a sit-in demonstration at the Chun Tae Il Memorial Hall.

23 -- A memorial service was scheduled for Park Yong Jin, but it was forcibly broken up by police. Of some 150 workers ho held a demonstration in the street, 20 were jailed, and countless workers were given summary sentences.

24 -- 18 workers at the Medical Supplies Mfg. Co. in the Kuro Industrial complex and affiliated with the Kolon Group staged a sit-in in front of the factory where they shouted slogans such as "Rehire those who were unjustly fired for demanding a wage increase of 948 won a day" and "Remember Park Young Jin." The management, however, tried to put an end to the sit-in by beating the workers, 15 of whom were taken to the Nambu police station. At the station, the workers began a new sit-in, angering the police, who took them back to the company, which took them to another police station. When these police returned the workers to the factory, company officials took them in a car to the Torim Don garbage dump, where they were left.

24 -- Workers of the Naewoo Precision Co. staged a sit-in, demanding 5,000 won a day for 8 hours work, an end to forced overtime and respect from the company managers. Instead they were beaten by 40-50 management staff and were forcibly held in a storage room. Six of the 12 workers involved were forced to resign. On March 25, nine workers tried to enter the company but they were beaten by the management staff. Four were put in a company car and dumped off at a garbage collection site.

25 -- Police and management staff at the Medical Supplies Co. were still blocking workers from returning to work. Fifteen workers were again taken to

Nambu Police Station. Three were seriously injured during the two-day confrontation.

25 -- 69 persons gathered at the Chun Tae Il Memorial Hall. They carried posters of Park Young Jin, who had burned himself to death on March 17 during a wage protest. Policemen who were waiting near the building took all 69 to police stations.

27 -- Sec. Gen. of KCAO (Korea Christian Action Organization) LEE Gil Jae, was arrested in connection with office circulars on the labor movement.

28 -- Nineteen workers and 32 others were given summary sentences ranging from 5 to 10 days for attending a rally at the Chun Tae Il Memorial Labor Center in Seoul. The rally had called for wage increases.

28 -- Mr. KIM Tae Oong, 47, driver for the Taehwa Bus Co. in Chungju, set himself on fire in front of the company office to protest the injustice of being accused of pocketting a portion of the bus fares. Taehwa Bus Co., the largest in Chungju, is said to have the worst working conditions, a union that sides with the company and has tried to suppress the labor movement in the city. Several drivers and conductresses have left the company. In October, '85, four employees tried to report the problems to the Ministry of Labor in Seoul but they were stopped by Seoul police and taken to a police station. Kim Tae Oong had taken a leading role in the protests and had won the trust and respect of other employees. It is believed that the company tried to divide the employees by fabricating the charge of pocketting fares against Kim. Four other drivers had been fired previously under similar circumstances.

29 -- The National Council of Churches Committee on Church and Society held an emergency meeting to issue a statement denouncing the government's hardline repression of workers' rights.

29 -- A fired worker from the Taehan Optical Compahy, LEE Woo Sung, was arrested on charges of violating the Assembly and Demonstration Law. Lee had participated in a protest of labor conditions at his company.

31 -- Federation of Korean Trade Union (FKTU) President Kim Dong In, responding to the upsurge in grassroots labor unrest, urged the nation's employers to make drastic improvements in wages, including establishing a minimum wage law and lessening work hours. He strongly criticized the recent illegal arrest and arbitrary detention of workers, and said that abusive practices in the workplace had reached an extreme stage.

Press reports indicated that petitions from workers to the Labor Ministry had increased 19% in the past year, rising to 40,000 complaints. Most had to do with wages, interference in labor union activity and unfair dismissals.

APRIL, 1986

1 -- Sixty women workers at the Hankuk Erna factory in Kwangju struck for pay of 4,000 won daily, plus 400 won for lunch and a 200% bonus. The company promised to negotiate on April 3. When this did not occur, the workers resumed their strike, and finally won a 28% increase in wages. During the

strike, the workers were subjected to great harassment by police, who also brought their parents to try to persuade them to give up their struggle.

1 -- The Seoul Civil Supreme Court upheld the Appeals Court decision that overturned the District Court's decision in favor of the Unijon Co. AHN In Sook and five other employees of the company had filed a suit against the company charging that they had been fired without cause. The company was ordered to reinstate three of the workers, including Ms. Ahn, and pay them back wages. (In 1984, the employees had formed a union and filed a union report with the Kuro District office. The report was returned to them without explanation. The employees circulated a notice saying that the company was trying to pressure them to prevent them from forming a union. At that point, the company fired the six, claiming they were causing confusion in the company and slowing production.)

2 -- 500 workers had a street demonstration carrying the picture of the late Park Young Jin, and placards calling for labor rights, at Sungnam Industrial Complex.

3 -- Han-U Co. in Taejon laid off Kim Tae Pyong, laborer, after security police insisted he was an activist.

16 -- More than 300 workers of Sepung Plywood Co. staged a sit-in strike in the company auditorium to protest inhuman treatment by the company, including 70 hour work weeks, and asking for 2,500 won increase in daily wage. The company crushed the sit-in using gangsters. 26 of the workers were hospitalized and the others, almost 300, were locked up in the company dormitory for several days. Sepung Co. president is Ko Pan Nam, ruling party member of National Assembly.

18 - Four dismissed workers and one of their mothers protested on the street in front of Chungwon Electronic Co. in front of the company offices, charging the company with complicity with police in forced detention, torture, and illegal imprisonment for having tried to secure legal labor rights.

20 -- After members of the labor union at the Shinsaing Textile Co. had made a second request for a wage hike, the manager and non-union employees broke into the union office. Brandishing lead pipes and fire hoses they dragged about 80 union members out of the factory and locked them out. Soon after about 100 union members began a protest demanding that they be allowed to enter the factory and work.

21 -- 98 workers at the Life Shoe Co. factory in Songnam began a strike for higher wages and shorter work hours. The strike continued at least until May 3. Result unknown.

22 -- About 70 members of the labor union of the Changon Silup Taxi Co. in Tongdaemun, Seoul began a sit-in strike, demanding the reinstatement of Park Oon Sun, chair of the union, and Kim Young Jo, a union member, who had been fired.

24 -- Ten union staff members of the Shinsaing Textile Co. were detained by the police. They were released the next day.

25 -- Ms. Chang Mi-kyong, 22, and Ms. LEE Young Hee, 23, workers at the

Shinsaing Textile factory in Songnam, and three others were arrested while distributing pamphlets supporting their union's demands for wage increases. They were beaten and tortured with electric shock at Songnam Police Station, to the extent that Ms. Chang required three weeks hospitalization. They were not charged, but dismissed from job and barred from employment for seven years. Lee Young Hee had the tendon of her inner thigh severed by violence at the hands of police.

26 -- Shinsaing Textile Co. announced it was suspending business indefinitely.

27 -- Funeral service for Park Young Jin was held. The service was attended by about 300 persons, including his father, students and laborers. Afterward 16 persons were detained by police who broke up the funeral march.

28 -- Shinsaing Textile workers went to the district labor office and requested that the suspension of work order be cancelled. They received a promise that work would proceed at the company later that day.

30 -- Han Myung Hee of the Korean Christian Laborers Federation was detained by the Mapo Police in Seoul for interrogation.

30 -- trial sentences during week of April 24-30: Tongho Electric Co. labor dispute: LEE Kyung Bum-1 year, CHUNG Dong Keun-1 yr; Pooheungsa Co. labor dispute appeal trial: KANG Kye Jin 1 1/2 yrs, suspended for 3 yrs, CHUNG Kyung Ja-10 mos., suspended for 2 yrs.

30 -- Taxi driver PYUN Young Jin, 38, employed by Samhwan Taxi Co., burned himself to death in the yard of the company in protest against being fired for involvement in union. Pyun died May 1.

MAY, 1986

1 -- 500 students and workers marched together on Toksandong street in Seoul to celebrate May Day. Slogans: Let's achieve democracy for workers by life-giving struggle, Let's expel US-Japan power, Let's knock down the subject regime, Let's achieve right wages and full employment. Police intervened with teargas to prevent march. 10 or more arrested. Nationally, some 8,100 students held demonstrations in solidarity with laborers.

2 -- PARK Kye Hyun, vice chair of the Chunggye Labor Union, and KANG Jung Woo, member, were detained by agents as they came out of the Chun Tae Il Hall. Their whereabouts remained unknown for at least one week.

3-6 -- Up to 18 members of the Seoul Federation of Labor Movement were arrested and interrogated at the Songpa Military Security Center, located in Kangdong-ku, Koyodong, south of Seoul. Tortured for 7 - 10 days. Workers included: KIM Mun-su, chair Sonoryon (former worker Hanil Industrial Co.), tortured with electric shock on his thumbs, hot-pepper-water poured in his nose and mouth while body suspended upside down, beatings with baseball bats, etc; LEE Chun-bok, SONG Chae-sop, 29, YUN Hyung Suk, 28, SOH Hyo-kyong, CHOI Han-bae, HWANG Man-ho (Chunggye Garment workers Union), YU Si-chu, PARK Chon-Ae, LEE Eun-hong, KIM Chin-Tae, KIM Sun-chun, CHOI Han-Bae, NOH Chong-rae, YU In-Hye. Kim Mun Su reported to his wife that more than 50 workers, students and other prisoners were being tortured at Koyodong at the same time as he. He tried to commit suicide as result of pain from torture.

15 -- Shinsaing Textile Co. workers continue to hold sit-ins in front of company, the Sungnam industrial complex, the labor office and the police station. The company agreed to conciliation and then threatened the union members forcing them to hand in resignations.

18 -- 18 Seoul Labor Federation members were transferred from Songpa Military Security Center to the Anti-Communist Section of Seoul City Police. Most reported having experienced severe torture while under military interrogation.

23 -- Expressing great concern about the violence against workers by companies, the Ministry of Labor announced it would consider new legislation soon to make it more difficult for companies to prevent workers from carrying out legitimate union activities. However, no actions were taken against such companies as Shinsaing Textiles, which violated existing laws.

30 -- Sixteen laborers rushed into the Hanmi (Korean American) Bank's Yongdongpo Branch in Seoul, to occupy it for two hours. Their demand was for the resignation of the Chun government and an end to "American imperialism."

JUNE, 1986

(Date unknown) -- In Chunju, a campaign is organized by Christian labor and farmers organizations to boycott the products of PAEK YANG Knitwear Co., because of their exploitation of young girl workers and their illegal layoffs of any workers who claim their legal rights.

2 -- A government report on the number of former students in the labor force who had been fired under government pressure indicated that between April and December, 1985, 321 students had been dismissed; between January and May, 1986, 350. The government considers these students illegitimate workers, despite the fact that only 34% of this year's college graduates found work in their field, and has encouraged companies to fire them as "labor agitators."

3 -- Fifteen labor union activists related to the Seoul United Labor Federation were remanded to the Seoul Prosecutor's Office to be indicted under the National Security Law.

4 -- Ms. KWON In Sook, laborer in Puchon Industrial Zone near Inchon, was arrested for applying for job with false documents. A former student of SNU, she was blacklisted from employment in her own name.

5-7 -- KWON In Sook tortured and sexually abused (raped) by police officer Moon Kwi-Tong at Puchon Police Station, until June 7, in an attempt to get her to name other labor activists among her friends.

5 -- Five workers related to the Yongdongpo Urban Industrial Mission were detained by police after a police search of UIM office to find workers' pamphlets. All five were badly treated at police station.

9 -- Seoul Labor Federation member Pae Kyu Shik is reported missing.

17-19 -- 300 members of the Seoul Transportation Union of City Metro-Bus held a sit-in protest demanding the increase of wages from 360,000 to 450,000 won per month.

18 -- KIM Moon Soo (Seoul United Labor Federation) applied for the preservation of the evidence of torture on his body.

19 -- An Inchon worker, Shin Ho-Soo, was found dead after having been carried away in a car by three unidentified policemen on June 11.

21 -- KIM Nam-Young, a bus driver of the Chun-nam Transportation company in Kwangju, set himself on fire to protest working conditions and mistreatment of workers by the management. Drivers in the company are known to receive an average of $12 for a 14 1/2 hour day. (Kim survived at least 43 days in intensive care in a hospital, his body more than 80% covered with burns.)

22 -- 700 workers joined a Day of Struggle for Workers' Liberation, at Kuro Industrial Complex.

26 -- Thirty leading women's organizations issued a statement protesting sexual torture of women workers and others.

26 -- Five workers of Konti Food Co. and Life Shoes Co. on trial faced a demand by prosecutors for four years' imprisonment in relation to their sit-in in the company buildings demanding a wage increase.

26 -- A dismissed woman worker was severely injured by being beaten up by factory managerial staff when she went back to the company to ask for her back wages. She was dismissed on June 23 after she was injured in an industrial accident. (name of factory ommitted in report)

29 -- The Church and Society Committee of the National Council of Churches of Korea held a meeting called a "Workers' convention to achieve a democratic labor society". 400 workers participated.

30 -- Three workers at Daehan Optical Co. were arrested.

JULY, 1986

2 -- 12 labor activists members of the Seoul Federation of Labor Movement (Sonoryon) were charged under the National Security Law with setting up an "anti-state" organization whose activities served the interests of North Korea. The charges were reportedly due to the publication by Sonoryon of a report that a group of American GIs had raped a school teacher during this year's Team Spirit military exercise.

4 -- Lawyers for woman worker KWON In Sook filed formal charges of rape against policeman Moon Kwi-Dong of the Puchon police station.

11 -- Seoul Prosecutor's Office announced that policeman Moon Kwi-Dong was responsible for verbal and physical abuse of worker KWON In Sook, but not for sexual abuse, and ordered the dropping of an indictment of him.

19 -- Nambu Police (Seoul) arrested KIM Bokja, a woman executive director of the Inchon Labor Federation.

19 -- Thousands of police were mobilized to prevent meeting on behalf of worker KWON In Sook at Seoul's Myungdong Cathedral, sponsored by 33 democratic and religious organizations.

25 - 26 -- 2,000 miners at Kyongdong Mining Co. in Kangwondo held an all-night sit-in to protest unjust wages and bad working conditions. Office of the union and the home of the (government-appointed) union director were completely destroyed by angry protesters. Most of the protesters were miners' wives. An agreement was reached to provide better severance pay and a family allowance of W30,000 per month for miners' wives work sorting coal ore.

27 -- Thousands of people attempted to hold a meeting in defense of Ms. KWON In Sook at the Anglican cathedral in Seoul, but were prevented by a massive police intervention. Dozens were arrested.

31 -- The National Council of Churches refuted government claims of prisoner releases, to show the number of political prisoners had increased to 1,147 as of July 11, 1986, including 160 persons related to the labor movement arrested since the beginning of the year.

AUGUST, 1986

(Date unknown) KIM Chin Man, dismissed worker from Tong So Furniture company, detained since March, 1986 under charge of forging documents to get a job, attempted to hang himself because of miserable conditions in prison. In critical condition in hospital.

6 -- A task force of Seoul Police broke into the offices of the Council for Promotion of Democracy to confiscate 6,500 copies of pamphlet detailing the rape of worker KWON In Sook.

6 -- KIM Jin-Han, dismissed worker from the East-West Furniture Co., attempted suicide by hanging as a protest against the intolerable human rights violations in Wonju Prison. A student in Wonju and two others in Chungju also tried to commit suicide either by cutting wrists or drinking poison for similar reasons.

7 -- Fifty workers of Taesong Rubber Co. demonstrated for recognition of workers "right to live."

SEPTEMBER, 1986

6 -- The Inchon District Prosecutor's office rejected a motion filed by 166 lawyers, who joined the support of Mr. Kwon In Sook, worker raped by policeman during interrogation. The lawyers had demanded the criminal indictment against Moon be reinstated. The government, which had originally found Moon guilty, dropped the indictment under pressure from the Blue House. The lawyers' petition was re-filed with the Seoul High Prosecutor's Office.

9-13 -- About 800 miners at Kyongdong Mining Co. in Samch'ok, Kangwon province, having blockaded national highway and railway, started a strike to protest company's failure to comply with agreement made after July strike. At issue are payment of 30,000 won family allowance per month, for work sorting coal by miners' wives, release of all miners arrested during the July and September protests, resignation of the national miners' union president and the government assigned labor union executives.

11 -- 150 of the Kyongdong miners began a hunger strike. Although continuously disrupted by combat police, they succeeded in obtaining an agreement from the company.

13 -- 50 Kyongdong miners were arrested.

13 -- Trial for 15 Seoul Labor Movement activists began in Seoul District Court.

15 -- Kangwon chapter of NCCK's Human Right Committee and three other organizations issued statement supporting demands of Kyongdong miners, accusing the company of refusing to listen to the workers' demands and accusing the government and police of supporting the company by terrorizing the neighborhood and also through government supported labor union leaders.

OCTOBER, 19[illegible]

13 -- Trial [illegible] Ms. KWON In Sook, victim of sex torture, began. She was charged with falsifying documents to get a job in June. Judge refused defendant's request for testimony by police officer who raped her.

27 -- Government authorities announced the uncovering of a "Marxist Leninist Party" in formation, which consisted of 101 persons said to be organized as a "Regional Workers League", intent on organizing workers in the Kuro Industrial estates and elsewhere. Twenty seven labor organizers were arrested, 13 of whom were charged under the National Security Law. Another 74 are being sought, according to the Seoul Prosecutor's Office. Expelled Seoul National University student KIM Son Tae is said to be the chief organizer.

NOVEMBER, 1986

1 -- The Seoul Appellate Criminal Court rejected the petition by 166 lawyers on behalf of worker KWON In Sook to re-instate the indictment against policeman MOON Kwi Dong, who raped her during interrogation at Puchon Police Station in June.

10 -- The government ordered fourteen unions and informal labor organizations to dissolve voluntarily by November 13, or face compulsory dissolution. Affected by the order are: Chunggye Garment Workers Union, Seoul United Labor Federation, Inchon United Labor Movement, Anyang Workers Committee for the Three Rights of Workers, Sungnam Workers' Committee for the Right of Survival, Hankuk Laborers Federation, the Kuro District Democratic Union Committee, the Chun Tae Il Memorial Labor Center, the Christian Laborers Federation and five night schools for laborers. Because of this announcement, the National Assembly has been paralyzed, with the opposition New Korea Democratic Party boycotting sessions in protest.

Senator **Riegle**. Mr. Williams and Mr. Samuel, let me ask you: Can you give us any other illustrations of patterns of activities in other countries? We have heard now about both Korea and Chile specifically, but are there any other instances that you can help us understand this problem better by giving us precise details about abusive conditions toward workers in other nations?

Mr. **Williams**. We would be happy to provide detailed information. We certainly, through our affiliation with the International Metal Workers Federation, have access to circumstance after circumstance and situation after situation. Howard can speak for himself obviously, but I am sure that the IUD can be helpful in that regard, too.

Mr. **Samuel**. Senator, I would be happy to provide material that the AFL-CIO has documented—labor problems in a number of countries. One point I would like to indicate today in connection with this particular legislation is that it is not uncommon in a number of countries that the rights of workers to form unions are particularly circumscribed in industries which are designed for export. There is actually a discrimination against workers in factories which make products for export.

Senator **Riegle**. I think it would be very helpful to us, and we must have illustrations, country by country, to the extent that they can be gathered. I realize it is difficult to get into the factory settings in Korea precisely because they are not interested in our having this information; but we are continuing to run these very large bilateral deficits with Korea and with Taiwan, which I mentioned earlier. We have a somewhat different situation in Japan, but I am very much interested in having the specifics because I think workers in this country have to understand better what it is that they in a sense are being driven toward if what we are going to do is go down to an open market system where we have to, in effect, match the labor economies in other countries.

And if that means going in the direction of the practices that we see in these other nations, I think we had better be able to enumerate very clearly what those are so people have a chance to make a judgment about it.

So, let me have from each of you whatever additional detail you can provide in that area. I think it is very important.

Senator Heinz?

Senator **Heinz**. Mr. Chairman, thank you. First of all, thank you all for your testimony on Senator Riegle's and my bill. Since he has come down here, and it is rare that we get Barney Oursler out of Western Pennsylvania—although he is omnipresent, I might add, having followed me all the way up to Johnstown the day before yesterday to pick up on one of my hearings up there. Barney, you listened to what Roger Semerad had to say about how, if somebody can't get money for training under the Trade Adjustment Assistance Program—and they can't, at least in our State—I guess they have two choices: move to another State where there is money available in TAA or, he said, this money could be gotten from JTPA Title III. Maybe he is right; maybe he is not.

In practice, why can't the people who are seeking training from TAA get training that is as good or better under JTPA?

Mr. **Oursler**. Senator, it is a little difficult, as I know you have found, in attempting to propose some changes in JTPA, to find out what JTPA is doing, period. The reporting mechanism makes it very difficult to find out what is happening, and it is very particular to each service delivery area as to how they set up the program. In our area, in Alleghany County, and some of the surrounding county areas, JTPA contracts one time per year with trainers throughout the region who provide requests for funding for training slots.

And as of about nine months ago, all classroom training for JTPA Title III had been allocated in Alleghany County.

Senator **Heinz**. To specific individuals?

Mr. **Oursler**. To specific individuals. They used it up almost a year ago now, so that people are unable to get into classroom training period in JTPA and will not be able to until the new program year begins. We had put a specific request to our new Department of Labor and Industry Secretary in Pennsylvania who attended your hearing on Monday to look into the Title III funds, and he indicated that they had been already allocated. We also followed up by asking the Pittsburgh City and Alleghany County JTPA programs, and they gave us the same story. I am not sure what the Assistant Secretary is talking about.

Senator **Heinz**. Neither was I. Are there any other comments that he made where you would like to either provide a dose of insight or reality where it is needed?

Mr. **Oursler**. Very much. He seemed to hold up as a failure the cost of the Trade Adjustment Assistance Program, the $4,800 per worker that goes into that program. What I wanted to do, sitting and listening to that, was to say: It costs that much to seriously give a person a chance at a new kind of skill, at a new life. And to say it costs too much to give a chance to someone to remake their life really is unfair as far as I am concerned. The answer to his criticism that the Trade Adjustment Assistance Program discriminates—my answer would be to give $4,800 to every dislocated worker in the country because it is not a whole lot easier if you came out of high school and simply get a job to get training than it is if you are an industrial worker. But it is very difficult for workers who have put 10, 20, some 30 years into an industrial plant who have a standard of living, a family, and a lot of bills to maintain to expect those workers to go into training full time and not provide a cash assistance program for them while in training—I think that is just outrageous.

So, I think to some extent there are different kinds of workers covered by some of the Trade Adjustment Assistance Program than the JTPA covered employees.

Senator **Heinz**. Lynn Williams, returning to the workers' rights proposal, Senator Chafee said that he feared that the legislation would simply be used as an indiscriminate and random barrier to imports, and he indicated that we might well be in the position where someone would conclude that a labor practice in Korea or Taiwan or some other non-Communist country would be judged egregious and unreasonable, but that practices in genuinely repressive countries—we usually euphemistically refer to them as nonmarket economies; we mean Communist countries—whether it was the PRC, Romania, Poland, the Soviet Union, Czechoslovakia, would not necessarily suffer the same fate; and this would, in effect, be a very strange policy, that we would treat free world countries who are our friends worse than non-free world countries about whom we have—shall we say—doubts. How do you answer Senator Chafee?

Mr. **Williams**. The application of the 301 approach, of course, is discretionary. One can make the opportunity there to deal with things in it in a discretionary way. 301 now applies to all the nonmarket economies and all the unfair trading practices now included have a relevance there and can be applied or not be applied.

In my mind, there is a very important distinction, though there are many very important distinctions; but for this purpose there is a very important distinction between the nonmarket section of the world and the market section of the world. We are saying to the market countries that we are trying to involve ourselves in this open trading system and let them just have total and free access on whatever basis they choose; and therefore, things like human rights—as we are saying here today—have a very direct economic aspect and impact. And they represent an unfair trading practice as do subsidies and all the rest of it.

When we are dealing with the nonmarket economies, we really have another measure of control there. We are not dealing with them on the basis of an open market approach. We are not saying to the Soviet Union or anybody else: You just come into our market and run your businesses or whatever. Nor do we deal with them that way in response. We deal with them on a bilateral basis, and we make trading arrangements with them on specific products and in specific ways and, therefore, have many ways in which we can control that trading relationship that just don't exist in terms of the trade that we are encouraging in the free world.

Senator **Heinz**. We don't really control it with China.

Mr. **Williams**. We have the opportunity to with China. To the extent we don't, to the extent the Chinese situation is on all fours with the rest, then we should apply the 301 in the same way in all these areas.

Ms. **Burkhalter**. Mr. Heinz, may I make a comment on that?

Senator **Heinz**. Yes.

Ms. **Burkhalter**. As I also represent the Helsinki Watch, which monitors human rights in Eastern Europe, we have a large interest in labor rights and human rights conditions generally in some of the countries that Senator Chafee was interested in. As one of my co-panelists mentioned, there is already a precedent for applying human rights to trade relations with some of the East Bloc countries, as of course in the Smoot-Hawlay Act about using products made by forced labor from the Soviet Union. And also, I have testified a couple of times at hearings up here—and I think you were at one of them, sir—on Romania; and you know the annual fight we have on that.

Senator **Heinz**. Very well indeed. Jackson-Vanik is a human rights requirement.

Ms. **Burkhalter**. Exactly. And I think people of good will can disagree on whether MFN should be removed from Romania; we always favor trying to get the maximum human rights advantage out of MFN every time it is applied, but it is the case that the Administration has never asked to have MFN cut off from Romania because of other policy considerations.

In the case of Poland, you remember when marshal law was declared and solidarity was crushed. Originally when sanctions involving trade were imposed on Poland, one of the United States requirements for dropping sanctions was that solidarity be legal. We dropped that after a couple of years, unfortunately in my opinion; but I think there is a rich tradition in labor relations with both the East Bloc and now we are proposing others as well.

Senator HEINZ. Thank you very much. My time has expired.

Senator RIEGLE. Thank you, Senator. I want to say to you all that we appreciate very much your testimony today. I feel badly that it took us so late in the day to get around to having you at the table, but that was the nature of the number of witnesses that we had today and also the interest of members in these subjects. I would hope that you would give us whatever additional information you can. It is very important for us to have it, and we will make good use of it. Thank you all, and the committee is in recess.

[Whereupon, at 12:53, the hearing was adjourned.]

[By direction of the chairman the following communications were made a part of the hearing record:]

Testimony of the
HONORABLE SILVIO O. CONTE
before the
Senate Subcommittee on International Trade
March 18, 1987

Mr. Chairman, and members of the Subcommittee, thank you for providing this opportunity to submit testimony in support of a worker rights provision in the trade bill. It is a provision that I have come to believe is absolutely essential if we are to reverse our trade decline and establish the proverbial "level playing field" that is referenced so often in the trade debate.

I recognize that some "free traders" have labeled as "protectionist" a worker rights provision. The extent to which these terms "free trade" and "protectionism" still have any meaning is somewhat dubious, in my mind, given the manner in which they have been bandied about the last two years. I can only provide for the Subcommittee the development of my thinking on this issue, and leave to others the task of affixing labels.

First and foremost, I believe that an open international trading system is an essential end. Capriciously blocking off markets inhibits competition, leaving progress behind as an inevitable casualty. Conversely, open trade based on legitimate comparative advantage has the potential to benefit all. Developed countries benefit on the consumer end by gaining access to a wide range of goods and services that are potentially of higher quality and less expensive price. On the production end, developed countries gain access to a worldwide rather than a domestic market to sell goods. Developing countries also benefit by participating in an open world economy, since that is the route to improved living standards. It is also the key to unlocking the conundrum in which the developing countries find themselves entrapped -- the burgeoning Third World debt. Those who are content with protecting wholesale the American market must also be cognizant of the drastic consequences this would have on the Third World's ability to repay its debt, a debt in which the developed countries have so much invested and which, if defaulted on, would undoubtedly lead to a worldwide depression.

Thus, for me, the broader debate on "free trade vs. protectionism" is not in question. We must remain committed to the principle of an open international trading system as articulated at the Bretton Woods Conference. Rather, in my mind, the question turns on the means employed to keep that system truly "open," for the means, if unchecked, have the potential of swallowing whole the end. That question is linked inextricably to how we define legitimate comparative advantage. For example, the dumping of goods at less-than-fair value and the government subsidization of exports are unfair or illegitimate comparative advantages under our trade laws. Sanctions, including tariffs and quotas, may be invoked if countries trade based on these unfair practices. The issue before this Subcommittee today is whether the denial of fundamental worker rights should also be included as an unfair comparative advantage under our trade laws. I believe that answer is an unequivocal "yes."

Trade based on the denial of fundamental worker rights undermines the goals I referenced earlier of an open trading system. Developed countries are forced to compete against cheaper imports derived from exploitive labor, imports that inevitably and unfairly act as a countervailing force to drive down living standards. Further, because purchasing power is low where worker rights are suppressed, any notion that developed countries will be able to expand markets for exports will remain illusory. Of course, the big losers are the workers themselves who are denied the right to share fairly in the wealth their labors have helped generate through trade. In sum, one of the essential "quid pro quos" of an open trading system -- enhanced market potential for developed countries and improved living standards for developing countries -- remains an unrealized goal.

An omnibus trade bill must streamline and refine our trade laws. As technology, communications, and transportation have advanced worldwide, however, the pressure in certain economic sectors has focused more and more intensely on trade based on the denial of fundamental worker rights. I believe that protecting worker rights is now at the core of the unfair trade debate, and I am convinced that a trade bill will be revealed ultimately as "all bark and no bite" if a worker rights provision is not included. In Korea, where sixty-one labor leaders are now serving long-term prison sentences for organizing activity, much of the steel comes from factories run by the military where workers protest conditions at their own peril. In Chile, an extraordinarily repressive labor code was imposed in 1979. In Taiwan, the right to strike is barred under penalty of death. In Thailand, textiles are pieced together by 13- and 14-year old children working and living in factories under oppressive conditions. As long as we tolerate these conditions as acceptable rules of the game, the United States will never be able to compete -- regardless of the window dressing provided by a trade bill. A worker rights provision, reasonably and carefully crafted, is essential.

For those reasons, I have joined this year with Rep. Don Pease in preparing worker rights legislation that we will soon introduce and that we hope will be included on the trade bill. It recognizes first and foremost that we must work through the GATT to achieve protection of worker rights. Accordingly, it links U.S. participation in the new GATT round with the adoption by the GATT of worker rights protections. The bill also would amend Section 301 of the 1974 Trade Act to include the denial of internationally-recognized worker rights as an unfair trade practice. Any person with substantial evidence of worker repression in a country that exports to the U.S. could bring an action and seek appropriate remedies.

The worker rights provisions we have singled out in the bill parallel conventions adopted by the International Labor Organization: freedom of association, the right to organize and bargain collectively, a prohibition on the use of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work, in accord with a country's level of development, with respect to wages, hours, and occupational safety and health. These same standards are the criteria under U.S. law against which eligibility is measured for GSP benefits and OPIC guarantees. That point must be underscored for those who believe that adoption of a Section 301 worker rights provision would be a drastic departure from current law.

The legislation is not an attempt to "unionize the world" or dictate labor policy in the Third World. The particulars of implementing these broad policy guidelines are left to the individual countries. Developing countries need not adopt the U.S. minimum wage, but they must move toward adopting a fair working wage for their people. A failure to share in these responsibilities of world trade should, in my view, result in the sanctioning of their right to participate. International trade should and must be a two-way street -- if a country seeks the benefits of open trade it must also share in the responsibilities.

Mr. Chairman and members, we are talking about minimal, internationally-recognized, fundamental human rights. The United States has a moral obligation in promoting these rights, and a long-term economic interest in helping to ensure their protection. An open international system must retain its necessary predicate, fair trade, if the system is to maintain both its integrity and the viability of its goals. A worker rights provision is the first step to returning sanity and fairness to an open trading system, and I urge the Subcommittee to include such a provision in your version of this year's trade bill. Thank you.

ASIA
RESOURCE CENTER

March 23, 1987

To: Senator Donald W. Riegle, Jr.
Congressman Donald J. Pease

From: Marc J. Cohen, Associate Director, Asia Resource Center

Subject: Labor Rights Violations on Taiwan

SUMMARY

1. Freedom of Association: Martial law suspends constitutional guarantee. Sedition law used arbitrarily to supress dissent. Civic bodies law allows only one association per function. Security agents and ruling party cadres present in many firms to enforce labor peace.

2. Right to Organize and Bargain Collectively: Freedom to organize only at enterprise level, limited by restrictions on right of association. New industry-wide and regional unions not allowed. Ruling Kuomintang, or Nationalist Party, exercises considerable influence over main labor organization, Chinese Federation of Labor. Most unions and government arbitrators are pro-management, hampering equitable resolution of worker grievances. Collective bargaining is legal, but does not take place. Only 19.4% of private workforce is unionized; public employees and private administratrative workers may not join unions.

Martial law allows Taiwan Garrison Commander to ban any strike, and the National General Mobilization Law prohibits most strikes. "Seditious" strikes are punishable by death, and in the 1940s and 1950s, the death penalty was used against labor activists. Laws permitting such executions remain on the books, although no political executions have occurred since 1979.

Martial law is likely to be lifted this year, but will be replaced by new national security and civic bodies laws which will allow the government to ban any organization or gathering it considers anti-constitutional, communist, or supportive of Taiwan independence. Sedition and mobilization laws will remain in effect.

3. Acceptable Conditions of Work: Severe safety and health problems in major industries, including electronics, textiles, footwear, and mining. Enforcement of safety and health, minimum wage, and maximum hour legislation poor due to lack of inspectors, large number of small enterprises, discouragement of worker complaints by management and government officials, and failure of labor laws to cover nearly half the workforce. Sex based wage discrimination is common despite legal prohibitions.

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LABOR RIGHTS VIOLATIONS ON TAIWAN

A number of serious violations of internationally recognized labor rights, as defined in the Trade Act of 1984, continue to occur on Taiwan. The areas of the most severe problems remain freedom of association; the right to organize and bargain collectively; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

1. Freedom of Association. The government on Taiwan, which considers itself the legitimate government of China, rules under the 1947 Republic of China constitution, which guarantees freedom of association. However, the authorities declared martial law on May 19, 1949, leaving Taiwan under a state of emergency ever since. As a result, constitutional rights have been suspended for nearly 40 years.

In addition, a number of laws related to the emergency decrees place additional restraints on freedom of association. The Statute for the Punishment of Sedition, enacted in 1949 and amended in 1950 and 1958, provides a mandatory death sentence for anyone found guilty of an overt act, violent or not, intended to destroy the organization of the state, seize state territory, change the constitution by illegal means, overthrow the government, or communicate with a foreign state or its agent for the purpopses of starting a war between the state in question and the Republic of China or encouraging that state to obtain control of territory of the Republic of China.

The sedition law also provides for a minimum sentence of 10 years or death for attempting to commit the offenses listed above. Lesser minimum penalties are provided for membership or participation in a seditious group, the "spreeading of rumors or groundless information liable to disturb public order or morals," and conducting propaganda for the benefit of a seditious person.

Since the enactment of this law, according to Amnesty International and other human rights organizations, the authorities on Taiwan have frequently made use of its provisions to imprison non-violent critics of government policy merely for expressing their views.

Under the state of martial law, persons accused of sedition are tried in military court. The military court system has acted in a manner far less independent of the executive branch of government than the ordinary criminal justice system, and affords more limited rights to counsel and appeal.

Another statute which places limits on freedom of association is the Law Governing the Organization of Civic Bodies During the Extraordinary Period, enacted during World War II. This legislation permits the establishment of only one legal association per organizational function.

More important than the legal restraints on freedom of association are the ways in which the government has implemented emergency rule. According to the Taiwan Association for Labor Rights (TALR), the personnel offices in most large and medium sized enterprises employ overt or covert representatives of the Taiwan Garrison Command, which administers martial law, and the Investigation Bureau of the Ministry of Justice, which is in charge of internal security. In addition, the ruling Kuomintang (KMT, or Chinese Nationalist Party) has organized one cell for approximately every 50 workers in most firms. The presence of security agents and party cadres places severe restraints on collective action by the workforce, and permits management to control labor unrest by calling it seditious and therefore seeking government intervention.

According to TALR officials, control of the industrial workforce is a very important goal of the Social Affairs Department of the KMT. KMT leaders believe that one reason why they lost the civil war on the mainland was the Chinese Communists' control of labor organizations.

2. The Right to Organize and Bargain Collectively. The above legal and social control framework makes the organization of free and independent trade unions which can effectively represent the interests of the labor force difficult indeed, though not impossible at the enterprise level. However, explicit legal barriers exist to the organization of new industry-wide or regional union federations.

According to the most recent Taiwan human rights report of the U.S. Department of State, the existing trade union federation, the Chinese Confederation of Labor (CFL), is strongly influenced by the KMT, although the ruling party's control is not absolute. TALR officials insist that the KMT's control is nevertheless considerable, and that the top leadership of the CFL, including most of the special labor representatives in the national legislative bodies, are also high ranking KMT members. Furthermore, according to the TALR, the KMT attempts to control the selection of union officers from the enterprise level up to the national and CFL level. While party domination is not complete, it is highly effective.

Nevertheless, workers do have the right to organize new unions at the enterprise level, and in recent years employees at several firms, notably in the electronics industry (especially at foreign-owned companies) have established independent unions.

Still, according to the TALR, most unions tend to collaborate with management and are not very effective in resolving worker grievances equitably. The presence of security and party agents in plants, KMT influence in union bodies, and the tendency of government labor arbitrators to side with management all limit the effectiveness and strength of existing unions.

The State Department reports, "Collective bargaining, although legal, does not take place." According to TALR, when managers are faced with employee demands that they engage in negotiations, they frequently seek the intervention of security personnel, charging the workers with sedition, communist sympathies, or support for Taiwan independence (i.e., the establishment of an independent nation of Taiwan, not tied to China).

The State Department goes on to argue that unions do play an important role in monitoring compliance with labor laws and educating workers about their rights. Since only 19.4% of the workforce is unionized, however, it is possible to exaggerate this role. Also, civil servants, teachers, and defense industry workers are prohibited from forming unions, as are many categories of administrative workers in private enterprise.

Limits on the right to strike also hamper organizing and collective bargaining. The martial law decree permits the Taiwan Garrison Commander to outlaw any strike at his discretion. Even without this injunction, existing labor laws permit strikes only when wage levels fall below an extraordinarily low government-defined level, and then only if 100% of the workforce votes to strike. Given the presence of security agents and party cadres within the workplace, achieving such a result is virtually impossible. Strikes over other issues are prohibited by the National General Mobilization Law, which also prohibits lockouts.

Strikes in defiance of martial law restrictions are punishable by death to the extent that the government considers them seditious. In the 1940s and 1950s, at least 10 people were executed for allegedly carrying out seditious acts of labor unrest. THE LEGISLATION ALLOWING THESE EXECUTIONS REMAINS ON THE BOOKS, ALTHOUGH THE DEATH PENALTY HAS NOT BEEN INVOKED FOR LABOR RELATED REASONS FOR SOME TIME, AND THE LAST EXECUTION FOR SEDITION OCCURRED IN 1979.

On October 15, 1986, in an interview with *The Washington Post*, President Chiang Ching-kuo announced that the Taiwan authorities would lift martial law in the near future. CONTRARY TO NUMEROUS REPORTS IN THE WESTERN MEDIA, MARTIAL LAW IS, AT PRESENT, STILL IN EFFECT ON TAIWAN. The government has further stated that it will not end martial law until the legislature approves new national security legislation; the ruling party has also called for the enactment of new legislation on the formation of civic bodies.

It is important to note that current drafts of this new legislation will maintain severe limitations on freedom of association and the right to organize and bargain collectively. As approved by the cabinet, the draft of the new national security law requires that all legal associations and assemblies explicitly uphold the constitution and oppose communism and Taiwan independence. The new civic bodies law, approved by the Ministry of the Interior and awaiting full cabinet approval, repeats this requirement.

In the past, the government has frequently charged its critics with support for communism or independence, and with attempting to change the constitution illegally, even when the perons so charged did nothing more than peacefully argue against government policies. Thus, by laying down such sweeping, vague, and political requirements, the government guarantees that it will be able to outlaw any gathering or group it finds inconvenient merely by declaringing it anti-constitutional, communist, or pro-independence. Such charges could easily be used to stop a strike or a union organizing drive, even if the grievances of the affected workers in fact involved only wages, hours, and working conditions.

For example, during the last 15 months, the government has attempted to dislodge a group of workers who have formed a temporary management committee at the Hsinchu Glass Works, south of Taipei. Obviously, the enactment of the proposed new laws would offer the government an easy means for dislodging the committee, which has in fact made no demands with respect to the constitution, communism, or independence. Currently, local law does not prevent the stockholders of an enterprise from assigning management rights to the workforce, but the government worries that the glass workers' example could disrupt labor peace, according to the TALR.

Nor will the end of martial law mean the repeal of the Statute for the Punishment of Sedition or the National Mobilization law, although the proposed National Security Law does end the trial of civilians in military courts. THUS, THE GOVERNMENT WILL CONTINUE TO HAVE THE RIGHT TO DECLARE LABOR UNREST "SEDITIOUS," WHILE RETAINING THE RIGHT TO EXECUTE THOSE WHO ENGAGE IN SEDITIOUS AGITATION, AND WILL STILL BE ABLE TO BAN MOST STRIKES.

It is also noteworthy that the Office of the U.S. Special Trade Representative (USTR) is apparently well aware of, and concerned about, this situation, if reports in the Taiwan press about U.S.-Taiwan trade negotiations last fall are accurate. According to these reports, U.S. officials flatly stated that Taiwan would no longer be eligible for benefits under the Generalized System of Preferences (GSP) if the ban on strikes remained in effect after the end of emergency rule.

3. Acceptable Conditions of Work. In 1984, the legislature enacted a new labor standards law, covering wages, hours, minimum working age, and occupational safety and health. The new law extended provisions in these areas to 4 million of Taiwan's 7.8 million workers, many of whom were not previously covered.

According to the State Department, the only area in which the law has made improvements is in restricting child labor, since it provides for a minimum work age of 15, and there is also strict compulsory education legislation in effect.

According to TALR officials, the debate over the new law did increase public awareness of labor rights issues on Taiwan, but its implementation has meant few benefits for workers, and may have even undermined job security, as firms have tended to fire workers before they vest in mandatory pension plans. The workers are then hired back on a contract basis, with no fringe benefits provided.

TALR also reports that there are extensive safety and health problems in Taiwan's industries, especially in electronics, textile, and footwear production; such firms contribute significantly to GNP and export earnings, and therefore are considered politically sensitive. The mining industry, which is phasing out, is also subject to considerable problems, and employs a disproportionate number of workers from Taiwan's impoverished aborigine community. According to the Association, the government tends to leave safety and health enforcement up to the voluntary efforts of management.

The State Department argues that minimum wage, maximum hour, and safety and health provisions are difficult to enforce because of a lack of inspectors, lack of worker reports of violations, the large number of workers not covered by the law, and the large number of small enterprises. Obviously, the presence of security personnel and party representatives in enterprises may dissuade workers from making reports of violations.

In last year's report, the State Department expressed doubts that women workers would seek to challenge sex-based wage discrimination, despite the prohibition in the new law, on cultural grounds. There is no reason to believe that the situation has changed significantly.

4. Conclusion. It might be possible for USTR to argue that Taiwan has made progress in the area of labor rights, in light of the improvements in the prohibition of child labor, and the extension of labor standards to a large number of workers. However, the State Department's report makes it clear that most of the benefits of the new law exist only on paper, and the tendency of many enterprises to convert employees to contract personnel tends to vitiate the benefits entirely.

Moreover, the Asia Resource Center believes that proposed legislation on national security and civic organizations may well result in a net loss as far as labor rights are concerned. By providing the government with vague, overly broad pretexts for banning gatherings and organizations which it dislikes, the new legislation potentially worsens the already poor situation with respect to freedom of association and the right to organize and bargain collectively, and will have a chilling effect on worker efforts to obtain enforcement of their right to acceptable conditions of work.

Therefore, we continue to believe that USTR should suspend Taiwan's GSP eligibility until such time as the government makes genuine progress toward upholding internationally recognized labor rights. We believe that the United States government has a special obligation regarding human rights on Taiwan, including labor rights, since the Taiwan Relations Act of 1979 reaffirms an American interest in "the preservation and enhancement of the human rights of all the people on Taiwan" even in the absence of formal diplomatic relations.

STATEMENT OF DOUGLAS MEYER, ASSOCIATE DIRECTOR
RESEARCH DEPARTMENT
INTERNATIONAL UNION OF ELECTRONIC, ELECTRICAL, TECHNICAL,
SALARIED AND MACHINE WORKERS,AFL-CIO
BEFORE THE BOARD OF DIRECTORS OF THE
OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)
ON LABOR PRACTICES OF OPIC BENEFICIARY COUNTRIES

November 13, 1986

Mr. Chairman and members of the OPIC board of directors, my name is Douglas Meyer and I welcome this opportunity to testify on behalf of the 200,000 members of the International Union of Electronic, Electrical, Technical, Salaried and Machine Workers, AFL-CIO. IUE is quite concerned with the issues surrounding the OPIC Amendments Act of 1985, particularly the labor practices of beneficiary countries and their compliance or non-compliance with internationally recognized labor rights.

OPIC's Congressional mandate requires it to direct its activities toward the joint goals of promoting economic and social development of host countries, and of furthering the employment and balance of payments objectives of the United States. Unfortunately, OPIC programs have had the effect of worsening both the relative and absolute well-being of workers both in the U.S. and in the recipient countries. OPIC's activities in many foreign countries actually thwart economic and social development therein, at the same time that they rob American workers of their jobs and the standard of living they have worked long and hard to achieve.

The IUE contends that OPIC in effect subsidizes the export of American jobs. It encourages companies to invest overseas in countries where few if any laws are in effect to protect workers from exploitative wages and working conditions; and what is worse, it indemnifies those corporations from many claims by those whom they have injured and exploited. It makes no sense for an agency of the U.S. government to promote and protect the overseas investments of U.S. based multinational corporations when we face a balance of trade deficit approaching $175 billion this year, and domestic unemployment at recession levels of around 7 percent.

In order to mitigate against the OPIC-incentives for U.S. companies to move production offshore to exploit foreign workers, the labor rights provisions were included in OPIC's renewal. Under Section 5(a) of the OPIC Amendments Act of 1985, OPIC coverage can only be granted to U.S. investments in countries "taking steps to adopt and implement laws that extend internationally recognized workers rights." The rights which countries must now guarantee to their workers include: the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health. We contend that many of the countries in which U.S. investments are now receiving coverage do not meet these basic labor standards.

The IUE's concern with OPIC's practices extends across many countries and a wide range of electronic-electrical industries. Several OPIC insured investors are companies which employ IUE members--companies we face in collective bargaining. These include Allis-Chalmers, American Can, American Standard, Armco, Dresser Industries, Ford Motor, General Electric, General Motors, ITT, Phelps Dodge, Sprague Electric, United Technologies, and others.

Some examples of products manufactured with the aid of OPIC coverage and in which IUE has an interest include electronic components, electronic/telecommunication equipment, television receivers and components, semiconductors, transistors and integrated circuits, appliance controls, printers, machine parts, electric wire and cable, resistors and coils, meters and other electronic devices. All of these OPIC assisted investments involve projects that will compete directly with U.S. domestic production which employs American workers represented by IUE.

We are concerned with the labor rights violations of many countries where OPIC has insured electronic-electrical projects, including Chile, South Korea, the Philippines, and Taiwan. The AFL-CIO and other groups will be discussing labor rights violations in many of these countries, and we support their statements. The focus of our testimony today will be on Taiwan.

One question which is fundamental on both moral and legal grounds is whether the country with the world's longest standing regime of martial law deserves OPIC beneficiary status. An examination of the laws in effect in Taiwan which govern labor relations reveals that this country fails to meet even the most minimal basic human rights and labor standards required to obtain future OPIC coverage.

In order to understand existing labor conditions in Taiwan, against the backdrop of a 37 year-old system of martial law, a brief historical examination is required. Chiang Kai Shek was installed as leader of Taiwan by the Allied Forces following the defeat of Japan in World War II. In 1949, following the communist victory in mainland China, martial law was immediately imposed by Chiang's Chinese Nationalist Party (today's Kuomintang government) and continues to this day. The rationale for martial law has always been the threat from Communist China, and since its inception, the Kuomintang government (KMT) has vowed to keep these restrictions until the day its party succeeds in retaking mainland China-- a prospect that is, to say the least, absurd.

Chiang Kai Shek brought with him about 800,000 Chinese mainlanders, and these people and their descendants have become the elite on the island, despite the fact that they make up only 13 percent of its population. This 13 percent dominates the military, the civil service, and most of the indigenous entrepreneural and management class.

The "State of Siege" promulgated in May 1949, authorized the death sentence for a large number of activities considered to be basic civil and labor rights in democracies. These include striking by workers or merchants, the encouragement of students to strike, and even the circulation of rumors. The Statute for the Punishment of the Rebellion, enacted in June 1949, made the death penalty mandatory for anyone who "plans to destroy the national polity, occupy the national territory or, by illegal means, to change the constitution or overthrow the government and who starts to undertake the above activities." The Statute for the Denunciation and Punishment of Rebels, enacted in June 1950, provides for the imprisonment, of up to seven years, for anyone who knowingly fails to denounce a rebel. The Military Trial Law of July 7, 1956 legalized the practice of trying persons accused of offenses under martial law in military court where proceedings are conducted in secret. In July 1985, the legislative Yuan passed the so-called "anti-hoodlum" law, which accords police authorities extremely broad powers. All of these laws remain in effect and are selectively applied by a well organized martial law enforcement machine.

While the U.S. press has recently reported on discussions in Taiwan of concerning the possible relaxation of martial law, there have been no signs that any fundamental change is imminent. There is strong and deeply rooted opposition to any change on the part of the ruling party, the military, the police, and intelligence organizations. It was recently reported in the Washington Post (October 13, 1986) that the ruling Kuomintang was "expected to propose a new national security law that could be nearly as stringent" as existing martial law.

As one would expect under conditions of martial law, trade unions cannot operate freely. It cannot be stressed enough that unions in Taiwan do not function as institutions protecting and promoting the interests of Taiwanese workers. On the contrary, the unions are, quite explicitly, a means by which the Kuomintang government extends its control over the actions--and thoughts--of individual workers and managers.

There is a stark contrast between some of the progressive-sounding labor laws which have been enacted in Taiwan in 1972, 1978, and 1984, and the bitter realities of a Taiwanese worker's day-to-day life. The 1972-1978 laws called for the prohibition of excessive overtime work and the prohibition against child labor. The 1984 reforms repeat many of the promises of the earlier laws, specifying requirements of employer-sponsored pensions and severence payments, paid sick leaves including maternity leave, and vacation.

Unfortunately, none of these reforms has yet materialized, nor appear likely to, under Kuomintang rule. This is true for many reasons, including for example, as Carl Goldstein noted in the Far Eastern Economic Review, the fact that "the penalties to employers for noncompliance are so light as to be cheaper than compliance." It is clear that progressive labor reform is an anathema to Taiwan's government with its overall export-led strategy for development that is predicated on the exploitation of a cheap and docile labor force.

From a legal point of view, to understand and predict the future of labor rights under the Kuomintang regime, it is useful to look at the laws which the Taiwanese government does enforce. The enforcement of the statutes of martial law effectively negate the rights of workers altogether. These statutes can be and are used to circumvent subsequent reforms and labor legislation.

Up until 1972, despite a nominal right of association, labor strikes were absolutely banned. Violation of the strike ban was punishable by death. When the Kuomintang regime formed the Chinese Federation of Labor in 1972, it amended this law to a minimal extent. The new law permitted strikes--but only if a union could demonstrate 100 percent of the affected employees approved, and only in the event that wages fell below absurdly low government-set minimums. In practice, this right to strike is inoperative because management and government security officers are considered "affected employees" and must vote for a strike. Not surprisingly, there has never been a strike in Taiwan under the KMT government. Without an effective right to strike, the rights of Taiwanese workers to organize and fight for better wages and working conditions are not very meaningful.

Furthermore, martial law and its attendant police powers are effectively used to prevent the organization of non-government affiliated unions. Indeed, dissidents and individuals attempting to organize such associations are often charged with sedition and can be jailed indefinitely.

Despite government claims to the contrary, the existence of martial law has a chilling effect on Taiwanese workers' struggle to achieve minimal labor rights and standards. The claim has been made that martial law has been used only against "strikes of a political nature rather than those resulting from labor disputes". Aside from the fact that this distinction is rather dubious, it is demonstratably clear that these laws have been used against protests over fundamental workplace issues. It is all too easy to label any efforts at labor organization as a political threat, and to label that threat subversive or revolutionary.

The lack of real progress in Taiwan, despite recent paper reforms is confirmed by the State Department's Country Reports on Human Rights Practices for 1985, which contains much more detailed information on labor rights violations, than in previous years. The following statements were made in that report:

> "Taiwan's polity is dominated by the Nationalist Party (KMT) in an essentually one party authoritarian system. Human rights are publicly endorsed but in- completely realized.
>
> The formation, purposes, and operation of labor unions are regulated in considerable detail by the Labor Union Law of 1929. Unions are supervised by the Ministry of Interior, and may be dissolved for disturbing public peace and order. Government employees, teachers, and defense industry workers are prohibited from or joining unions. By and large, labor unions do not exercise significant economic or political influence.
>
> Walkouts and strikes are prohibited under martial law. Collective bargaining, although provided for by legislation, does not in fact take place. Individual factory unions do, however, facilitate the resolution of disputes. It is generally believed that labor unions, especially general federations, have ties with the ruling KMT.

> Enforcement of safety and health standards is frequently weak. Over 95% of Taiwan's businesses are small, family-owned firms, which largely employ relatives and friends, who are often reluctant to report violations of labor and safety regulations."

The above statements in the State Department's report indicate that Taiwan does not meet the labor rights criteria set out in the OPIC Amendments Act of 1985. This report is supplemented by many other reports coming out of Taiwan that demonstrate that the country does not meet the labor rights standards required by OPIC. Workers are not guaranteed the right of association, they may not organize freely, and they are not allowed to bargain collectively in any meaningful sense.

Among the reports of people in Taiwan working under substandard and unacceptable conditions, the descriptions of working conditions in the "Export Processing Zones" are the worst. For example, there have been reports of severe eye-strain and permanment damage among women working in factories assembling electronic components. There is virtually no "nearsightedness" compensation for thousands of workers who spend long hours peering into microscopes. This is no less the case for American companies that have moved production away from the U.S. to Taiwan, than it is for local Taiwanese manufacturers. Over the last few years, OPIC has insured electonics projects in Taiwan.

It has been reported that at a T.V. factory owned and operated by a major U.S. company, which employed 6,000 workers near Taipei, the total compensation per worker averaged only $100 per month in the late 1970's. The company estimated that an equivalent American worker, would have cost about $900 per month. With 6,000 people on the payroll, this translated into a labor cost savings to the company of $50 million per year-- and needless to say, an abysmally low standard of living for the Taiwanese workers and their families.

OPIC has insured projects involved in the production of televisions and TV components in many countries, including Taiwan. The IUE does not believe that factory wages of $25 per week constitute an acceptable minimum wage standard. Nor do we have reason to believe that things have changed for the better since the late 1970's. A recent article in Electronic News (September 23, 1985) entitled "Picking the Right Country can Save Plenty on Paydays", reported that the average hourly compensation (wages and benefits) for production workers in Taiwan was $1.70.

Based on the reports that have filtered out of Taiwan-- despite severe limitations on the press and the outright suppression of opposition publications--and based on our own experiences and contacts with workers in Taiwan, we do not believe that Taiwan meets the human and labor rights standards required for OPIC eligibility. Therefore, in accordance with U.S. laws, OPIC benefits should not be granted for future projects in Taiwan until there are fundamental improvements in labor conditions.

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Dear Mr. Chairman,

I am writing to express the ILWU's views on S. 498, a bill to define as an unfair trade practice the denial of internationally recognized worker rights. We request that our comments be made a part of your hearing record on this legislation.

The introduction of this bill by Senator Riegle and its co-sponsorship by Senators Harkin and Heinz, is an extremely significant development in the Congressional debate over the U.S. trade deficit. S. 498 places a needed emphasis on the relationship between the extensive violation of basic labor rights abroad and the recent flood of imports which has victimized millions of U.S. workers.

Trade policy has been viewed for too long by too many as merely a contest between the philosophies of "free trade" and "protectionism." More attention has been paid to the fact of cheap imports than to their true causes. There is a misconception that the United States' comparative openness to imports is itself the reason for their steady increase. But the absence of barriers alone can hardly explain why these imports have so steadily displaced American products in the market place.

The ultimate reason for the increase of cheap imports is that they cost significantly less to produce -- and in a number of countries in the Third World this is the direct result of inexcusably bad working conditions and the supression of workers' efforts to organize.

S. 498 strikes at the heart of this unfair competitive advantage by authorizing Section 301 restrictions on imports from countries where the basic labor rights defined in the

1974 Trade Act are violated. Specifically, these rights are the freedom of association; the right to organize and bargain collectively; prohibition of forced labor; a minimum working age; and acceptable standards of work hours, wages, and occupational safety. The bill would define violations of these rights as unfair trade practices; make them actionable under Section 301 of the 1974 Trade Act; authorize appropriate sanctions; and require the President to attempt to negotiate similar provisions in the General Agreement on Tariffs and Trade (GATT). Such provisions were approved by the House in its 1986 trade bill.

In recent years, Congress has made adherence to these same rights a condition of eligibility for duty-free import access under the Generalized System of Preferences (GSP). Congress has also attached similar eligibility requirements to the insurance protection offered to U.S. firms by the Overseas Private Investment Corporation (OPIC). Both of these actions were important steps in the right direction.

However, the Reagan Administration has chosen to apply these eligibility standards in an unconscionably selective and ideological manner. The U.S. Trade Representative recently announced the termination of GSP eligibility two countries not allied with the United States: Romania and Nicaragua. Paraguay's eligibility was suspended. For Chile, whose record on labor rights is far worse than either of these two countries, review will be "continued" for an additional year. No action whatsoever was taken with regard to South Korea, Taiwan, Haiti, Brazil, or any other country.

Yet, abundant evidence has been submitted by unions and respected human rights organizations to Congress and to the U.S. Trade Representative that massive violations of labor rights take place in Chile, Taiwan, South Korea, the Philippines, Brazil, Haiti, and other Third-World countries. Systematic repression of union organizing efforts, extensive child labor, and brutal working conditions in these countries have been documented at length. Average wage rates for manufacturing workers range from 10 to 15 percent of their U.S. counterparts. The differentials are even greater in agriculture: Philippine sugar cane workers, for example, are forced to undercut ILWU sugar workers in Hawaii at wages of less than $2.00 a day, even their employers choose to honor the minimum-wage law.

Even the U.S. State Department's 1986 and 1987 reports on human rights, despite significant omissions and inaccuracies, have confirmed wide-ranging abuses of labor rights in countries whose imports to the United States have skyrocketed in recent years. As the ILWU and other unions have maintained, these countries clearly do not meet the eligibility criterial for GSP and OPIC; and clearly they deserve the import sanctions

S. 498 would authorize. The Administration's failure to enforce the letter and spirit of current law in this vital area makes it all the more urgent that Section 301 sanctions against the related imports of these countries be authorized.

It bears emphasis that the labor-rights violations in question are not committed merely at the whims of particular employers. In each of the countries being challenged, the government has institutionalized a well-thought-out policy of labor repression. Laws and decrees explicitly limit, and in many cases prohibit, the right to organize or strike. Laws covering minimum wage, hours of work, and occupational safety -- where they exist -- have little or no enforcement back-up and are violated on a routine basis. Government-sanctioned violence against union activists -- including murder, kidnapping, imprisonment, torture, and sexual abuse -- is commonplace. Employers in these countries, in short, are not merely committing abuses on their own volition; they are operating as they are expected to operate in a carefully cultivated environment, with the active assistance of government police or military personnel.

Opponents of labor-rights legislation have accused it of attempting to impose the impossible requirement that impoverished Third-World nations immediately provide pay and working conditions at levels equal to those in the United States in order to retain access to our market. This is misleading and false. It is unfortunately clear that such levels are not feasible in most of these countries at this time. Significant improvement is clearly possible, however -- particularly if the workers in these countries are allowed to organize. This is all that S. 498 would require.

Four of the five requirements set out in the 1974 Trade Act and in S. 498 deal only with rights of activity. The fifth requires only the presence of certain minimal standards and does not peg them at any absolute level. From the strategic perspective of a union, the freedom to organize is far more critical than any particular pay or working standard imposed by law.

For the ILWU, the current trade imbalance only confirms what we have long known: that American workers' own well-being is inseparably bound up with the progress of our fellow-workers abroad. But self-interest is not our only motivation. Just as we reject the callous assumption by some that economic recovery in the United States will require the steady erosion of domestic labor costs to restore our "competitive edge" in the world economy, we reject the common assumption that labor rights must be trampled on as they are in many countries for the sake of what is euphemistically called "initial capital formation."

We are opposed to employers in these countries -- whether native or U.S. multi-national -- enjoying the benefit of export to the U.S. market when that benefit is to all effects and purposes withheld from their workers. We find it all the more offensive that many of the governments which have been most guilty in this respect have also enjoyed considerable economic and military aid from the U.S. Government.

For all of these reasons, we urge your Committee to incorporate the labor-rights provisions of S. 498 into the larger package of trade legislation you will shortly adopt, and to do all in your power to make sure that these provisions become law.

Thank you for holding these hearings and for providing us this opportunity to submit our recommendations.

Sincerely,

Mike Lewis

Mike Lewis
Washington Representative

ML:nd

STATEMENT OF THE UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF AMERICA (UE)

before the

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

November 13, 1986

LABOR RIGHTS IN CHILE

My name is Lance Compa. I am Washington Representative of the United Electrical, Radio & Machine Workers of America (UE). Our union represents workers in the electrical and machine manufacturing industries, bargaining with employers such as General Electric, Westinghouse, American Standard, Rockwell International, Litton Industries, Stewart-Warner and others.

I come before you today to urge that OPIC terminate its insurance coverage of U.S. corporate investment in Chile, in line with Section 5(a) of the OPIC Amendments Act of 1985. That is the labor rights amendment requiring a cutoff of OPIC benefits for U.S. multinational corporations investing in countries that systematically violate internationally recognized workers rights. By any measure, the Chilean military dictatorship of General Augusto Pinochet falls within the reach of the labor rights amendment.

The acts of oppression that followed the brutal Chilean military takeover of September, 1973 have been widely documented. Thousands of union leaders and union members were imprisoned, exiled or killed for their trade union activities. It is hardly necessary to repeat here that history, having been recounted by many reliable congressional, church, human rights and international bodies including the Organization of American States and the United Nations.

While brutality on a mass scale against workers and their unions has abated, the Pinochet regime has continued a cycle of targeted repression against trade unionists aimed at terrorizing the Chilean working class into submission. In 1982, only days after issuing a public call for trade union unity and criticizing the government's economic policies, public employee union leader Tucapel Jimenez was seized, shot in the head and nearly decapitated. His murder followed a public denunciation of his statements by General Pinochet. The same fate befell teachers union leader Manuel Guerrero and two associates last year.

So far in 1986 the following acts of labor repression have taken place in Chile (it should be noted that these are events that find their way into the public eye; for each one that is publicized there are surely hundreds of similar incidents that go unnoticed):

*February: Two officers of the "Unidad Sindical" union federation, Raul Martinez Bobadilla and Ricardo Pino Rojas, were seized at work, taken to police headquarters, and interrogated about their union activities and the doings of fellow unionists. They were later released, but only after their homes were invaded and ransacked by a band of armed men in civilian clothing. (1)

*April: Members of the copper workers union planned an outdoor religious ceremony and parade to dramatize their need for higher wages. The Pinochet regime massed thousands of military troops in combat gear to block the peaceful action of the miners. (2)

*April: Police forces blocked entry to the first national conference of the CNT union federation, delaying and disrupting the peaceful assembly of elected union delegates. (3)

*April: The firm Aceros Chile S.A. fired seven workers for attempting to organize a union. It was the fifth time this firm has fired workers for union organizing in recent months. (4)

*April: The firm Supermercado Cosmos fired the leadership of a newly-formed union and declared the union "non-existent", eliminating union representation for its employees. (5)

*May: Two busloads of riot-equipped police invaded the headquarters office of the clothing and textile workers union in Santiago. They threatened office personnel, ransacked the headquarters calling union literature "subversive", and carted away the union's books and records. (6)

*June: Eleven union leaders were ordered jailed by the Pinochet regime's justice minister for organizing a strike. (7)

*August: General Pinochet issued a public denunciation of the labor federation Comando Nacional Sindical and its leadership, creating a climate for terrorism and "disappearance" of union leaders as was earlier done in the case of Tucapel Jimenez. (8)

*September: Copper union president Rodolfo Seguel and two associates, Montecinos Rosales and Sergio Barriga, were stripped by the government of their union offices despite being democratically elected by the union membership, because under the Pinochet labor code (see below) they must be on the payroll of a copper company instead of the union. Having eliminated union leadership, the government has seized all assets and funds of the union, making its functioning nearly impossible. (9)

*September: As in the May sacking of the clothing and textile union office, police forces invaded the headquarters of the graphics workers union, bullying the office staff and ransacking the site. The same night, a group of armed, masked men robbed the office of its equipment. (10)

*September: The union of blue collar telephone workers was denied the right to strike to back up demands for higher wages. An arbitrator forced them to accept management's offer, while granting higher wages to professional employees. (11)

When human rights reports for October, November and December are published, this list of abuses will surely be extended. But this kind of balatant labor repression is accompanied by the subtler repression of restrictive labor laws promulgated in 1979 by the Pinochet dictatorship. Under that code:

*Trade unions cannot participate in political activity.

*Union representation is totally denied to workers in firms of twenty-five or fewer employees.

*Collective bargaining is prohibited beyond the level of the single workplace, barring company - wide or industry - wide bargaining.

*Union leaders must be employees of the employer with whom they bargain; they cannot be employed by the union.

*Union leaders must have at least five years' seniority in the workplace and cannot have any record of political involvement.

*A strike may only last sixty days, then workers must accept the employer's last offer or abandon their jobs.

*Authorities have carte blanche to search union offices without warrants, to seize union books and records, impound union property and funds, and otherwise interfere in the affairs of the unions.

The first two of the internationally recognized workers rights specified in Section 5(a) of the Act are the right of association and the right to organize and bargain collectively. The effect of the Pinochet labor code on the exercise of these rights is obvious:

--Barring unions from political activity violates basic rights of association.

--Mandating a threshhold level of twenty-five employees to be able to form a union violates the organizing rights of thousands of workers in small enterprises.

--Prohibiting company-wide or industry-wide bargaining gives employers an insurmountable advantage in negotiations, since they can simply play off one location against another.

--Requiring union officials to be company employees leaves them vulnerable to management reprisals and retards the formation of experienced, independent union leadership.

--Demanding five years' service and no record of political action deprives workers of the right to choose their own leaders as they see fit; moreover, companies can simply fire outspoken shop floor advocates as they near five years' seniority.

--The sixty-day limit on strikes invites employers to simply wait out the time period rather than bargain in good faith, further negating the right to collective bargaining.

--The search and seizure of union property, and the destruction of union records that often follows, prevents the orderly functioning of the union as an organization. The physical intimidation involved in these actions, and the fact that union officials have been kidnapped and murdered in such operations, deters workers from participating in union affairs.

Before the Pinochet _coup d'etat_ in 1973 Chile's vibrant, growing labor movement represented nearly one-half the workforce, joined in the national federation Central Unica de Trabajadores.

Unlike most Latin American labor movements, which are divided among different federations reflecting different political philosophies, the Chilean CUT was a unitary body. Christian democrats, communists, socialists, liberals and conservatives all participated and held office in the CUT and its various union affiliates. They were open and often disputatious about their political differences, but they subsumed them under agreed trade union principles.

One of the first acts of the Pinochet dictatorship, besides dissolving the national legislature and abolishing political parties, was to ban the CUT. Today the Chilean labor movement has been ground to just fifteen percent of the workforce. Unions face employers in collective bargaining -- if it can still be called that -- with their hands tied by the labor code and their leaders harrassed, jailed, exiled or killed.

Two weeks ago I and a number of other union, church and human rights organization representatives met with a delegation of Chilean trade unionists visiting the United States. When we asked them if they favored an end to OPIC coverage of U.S. investment in their country even if it might retard such investment, they had two answers: first, that foreign investment in Chile is only enriching the wealthy minority that supports Pinochet, and second, that they would rather sacrifice for today in order to regain their country in the future. Thus, if a cutoff of OPIC insurance might hasten the end of the dictatorship, they favor such a move whatever short-term hardships it might entail.

Under these conditions it is remarkable, even heroic, that a Chilean labor movement has survived and continues to function. But much more must be done to restore even a minimum of respected labor rights in Chile. Congress has mandated the denial of OPIC benefits as one means of addressing gross violations of workers rights. Ending Chile's status as an OPIC beneficiary will bring fairer treatment of Chilean workers and their unions if the Pinochet regime wants continued insurance for American investments there. It will send a strong signal to the Chilean government that it can no longer expect support from the United States as long as labor rights violations continue.

The United States government, with its history of seeking to oust the elected constitutional government overthrown by Pinochet and subsequent years of support for the Pinochet regime, bears a heavy responsibility for the repressed state of the Chilean labor movement. One place to begin righting accounts with the people of Chile is to deny OPIC benefits to the brutal dictatorship that violates internationally accorded labor standards.

FOOTNOTES

(1) "Derechos Humanos en Chile," Enero-Junio 1986, Vicaria de Solidaridad, Arzobispado de Santiago, p. 128.

(2) "Situacion de los Derechos Humanos en Chile," Abril 1985, Informe Mensual No. 52, Comision Chilena de Derechos Humanos, p. 103.

(3) *Ibid.*, p. 103.

(4) *Ibid.*, p. 108.

(5) *Ibid.*, p. 109.

(6) "Derechos Humanos en Chile," p. 129.

(7) "Boletin" de la Comision Chilena de Derechos Humanos, 1-20 julio 1986, p. 5.

(8) "Pinochet Targets CNS Leaders for Attack," Foreign Broadcast Information Service, U.S. Commerce Department, August 20, 1986.

(9) "Supreme Court Disqualifies CTC Labor Leaders," *Ibid.*, September 3, 1986.

(10) "Servicio De Informacion Confidencial," No. 98, 1-7 octubre 1986.

(11) *Ibid.*, "Carta Economica". -

UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF AMERICA (UE)
STATEMENT OF JOHN H. HOVIS, JR., DIRECTOR OF ORGANIZATION
to the
COMMMITTEE ON FINANCE, UNITED STATES SENATE
March 25, 1987

LABOR RIGHTS IN INTERNATIONAL TRADE

My name is John H. Hovis, Jr. I am Director of Organization of the United Electrical, Radio & Machine Workers of America (UE). Our union represents manufacturing workers in a variety of firms and industries including General Electric, Westinghouse, American Standard, Rockwell, Litton Industries, TRW and others.

A strong Labor Rights provision is critical to any trade legislation considered by Congress this year. We urge the Senate to make violations of basic labor rights an unfair trade practice under U.S. law, in the same way that illegal subsidies and "dumping" are unfair practices.

The "social dumping" of goods made by workers unable to defend themselves against abusive working conditions can be stopped by a number of U.S. countermeasures. Better yet, a move to make labor rights violations an unfair trade practice could force governments that engage in such abuses to end their labor repression if they want to reach the American market.

The UE and other unions involved in the labor rights movement recognize that different countries are at different levels of development, and that products from such countries should not be excluded from the U.S. only on that basis. If we limit ourselves to complaints about "cheap labor" we make out foreign workers to be the enemy of American workers.

Instead of targeting "cheap labor," we should take aim at the conditions that create cheap labor markets. In fact, labor costs abroad are not always lower because a country is less developed. Some U.S.-backed governments deliberately crush trade union organizing and bargaining efforts which might raise wages and improve working conditions. The prospect of a "union-free environment" resulting from such oppression is a powerful lure to U.S. corporations looking for offshore production sites.

But no company should gain a competitive advantage in world trade because it operates in a country where authorities jail and kill workers who try to form unions, or where dictatorial laws ban strikes, organizing and genuine collective bargaining. And yet, such unfair competition is tolerated, and even encouraged, by our own government.

In the name of free trade, American workers must compete with steel and autos from Korea, copper and copper products from Chile, appliances and electronics from Taiwan, and other goods from countries that systematically violate workers' rights.

Let me give you some examples of what our union faces. UE members at the Columbia Electronic Cable company in New Bedford, Massachusetts and at Industrial Wire Corp. in Los Angeles, California manufacture cable and cordset products for the electrical industry. They compete with the same products made by companies in Chile.

Is it fair competition, though, when in that country thousands of union organizers have been or are being imprisoned, tortured, exiled or killed by the Pinochet military regime? The entire leadership of the copper workers union has been ousted by the government. Union offices are routinely ransacked by police.

Unions may only function in the single workplace; coordinated company-wide or industry-wide bargaining is banned. Strikes may only last sixty days, then workersare deemed to have abandoned their jobs. What is at work, therefore, is not the famous theory of comparative advantage touted by free market economists. It is a practice of comparative repression that is destroying our members' jobs along with Chilean workers'lives.

The situation in Korea is much the same, and it affects UE members at the Litton microwave oven plant in Sioux Falls, South Dakota who face stiff competition from Korean-made ovens. Workers at the Sioux Falls plant organized into our union in 1980. We have just settled a second contract there,indicating a stable labor-management relationship after some rough early years. Now those workers make between $5.92 and $9.42 an hour, compared to minimum wages when they first organized.

But what do their Korean counterparts face? All the genuine, independent unions there were abolished by government decree last year. It is illegal for workers to seek help from allies in church, social or political organizations. Strikes are outlawed in so-called "strategic" industries, which encompass most basic industry.

Individual workers who protest labor conditions or who organize to improve conditions are fired and blacklisted -- if they are lucky. Others are jailed, tortured, exiled or killed. In 1986 there were several documented cases of young women workers being sexually abused by their jailers after labor protests. Each week brings new accounts by church and human rights organizations of repressive police action against workers.

Similar accounts of labor rights violations mark reports from Singapore, Taiwan, Haiti, Paraguay, Malaysia, Indonesia and other countries that welcome runaway shops from U.S. multinationals. In UE's view, any member of Congress who opposes a strong Labor Rights clause in the trade bill is saying, in effect: the way for the United States to compete in world trade is to lower the standard of living of American workers. We believe instead we should help foreign workers raise their standards closer to our own -- not by decree, not by an artificial equality, but by ensuring that workers have the basic right to organize and bargain collectively to improve their wages and conditions.

We further urge that the same standard for labor rights in international trade be applied equally in all countries sending products to the United States. It is unfortunate, for example, that the Administration found labor rights violations, for purposes of affording benefits under the Generalized System of Preferences, only by Nicaragua, Romania and Paraguay, ignoring compelling evidence of violations in Chile, South Korea, Taiwan, Guatemala, Haiti and other countries. New trade legislation must guard against such politically-motivated application of the law.

Labor rights in international trade is not "back door protectionism," as critics charge. Our goal is not to keep out foreign products, but to force governments that violate labor rights to end their repression if they want to reach the U.S. market. Likewise, if foreign workers have the opportunity to form effective unions, U.S. multinational corporations will not be so eager to move jobs abroad to take advantage of labor repression. In the end, all workers will have more confidence in an open trading system that gives them a voice and a stake in international trade, not a system that just caters to the needs of the corporations. To accomplish this, a strong Labor Rights provision must be included in the new trade bill.